



**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 27, 2002**

---

**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

The total number of shares outstanding of the registrant's Common Stock (net of treasury shares) as of  
December 27, 2002 119,421,497 shares.

---

---

## **TABLE OF CONTENTS**

### **FORWARD-LOOKING STATEMENTS**

### **PART I FINANCIAL INFORMATION**

#### **Item 1. Financial Statements**

**AVNET, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS**

**AVNET, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS**

**AVNET, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS**

**AVNET, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

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

**Item 4. Controls and Procedures**

### **PART II OTHER INFORMATION**

**Item 1. Legal Proceedings**

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

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

### **SIGNATURES**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

### **INDEX TO EXHIBITS**

**EX-10.A**

**EX-10.B**

**EX-10.C**

**EX-10.D**

**EX-10.E**

**EX-99.1**

**EX-99.2**

---

## AVNET, INC. AND SUBSIDIARIES

## INDEX

	<u>Page No.</u>
Forward-Looking Statements	2
<b>PART I. FINANCIAL INFORMATION:</b>	
Item 1. Financial Statements:	
Consolidated Balance Sheets	
December 27, 2002 and June 28, 2002	3
Consolidated Statements of Operations — Second Quarters and First Halves	
Ended December 27, 2002 and December 28, 2001	4
Consolidated Statements of Cash Flows — First Halves	
Ended December 27, 2002 and December 28, 2001	5
Notes to Consolidated Financial Statements	6
Item 2. Management's Discussion and Analysis of Financial Conditions and Results of Operations	13
Item 3. Quantitative and Qualitative Disclosures About Market Risk	23
Item 4. Controls and Procedures	23
<b>PART II. OTHER INFORMATION:</b>	
Item 1. Legal Proceedings	24
Item 4. Submission of Matters to a Vote of Security Holders	24
Item 6. Exhibits and Reports on Form 8-K	25
Signature Page	27
Certification of Chief Executive Officer	28
Certification of Chief Financial Officer	29

## FORWARD-LOOKING STATEMENTS

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

- Continuation or worsening of the current technology industry down-cycle, particularly the semiconductor sector, would adversely affect Avnet’s operating results.
- Competitive pressures among distributors of electronic components and computer products may increase significantly through entry of new competitors or otherwise.
- General economic or business conditions, domestic and foreign, may be less favorable than management expected, resulting in lower sales and declining operating results which can, in turn, impact 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 whether secured or unsecured.
- Legislative or regulatory changes may adversely affect the businesses in which Avnet is engaged.
- Adverse changes may occur in the securities markets.
- Changes in interest rates and currency fluctuations may reduce Avnet’s profit margins.
- Avnet may be adversely affected by the allocation of products by suppliers.

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

	December 27, 2002	June 28, 2002
	(Unaudited)	(Audited)
	(Thousands, except share amounts)	
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 185,738	\$ 159,234
Receivables, less allowances of \$87,047 and \$99,073, respectively (Note 3)	1,535,460	1,374,017
Inventories	1,239,344	1,417,305
Other	74,230	254,976
	<u>3,034,772</u>	<u>3,205,532</u>
Total current assets	3,034,772	3,205,532
Property, plant and equipment, net	275,671	349,924
Goodwill (Note 4)	846,221	844,597
Other assets	262,028	281,901
	<u>4,418,692</u>	<u>4,681,954</u>
Total assets	\$4,418,692	\$4,681,954
<b>LIABILITIES AND SHAREHOLDERS' EQUITY:</b>		
Current liabilities:		
Borrowings due within one year (Note 5)	\$ 483,974	\$ 59,309
Accounts payable	924,860	891,234
Accrued expenses and other	295,046	326,293
	<u>1,703,880</u>	<u>1,276,836</u>
Total current liabilities	1,703,880	1,276,836
Long-term debt, less due within one year (Note 5)	906,381	1,565,836
Other long-term liabilities	35,781	34,772
	<u>2,646,042</u>	<u>2,877,444</u>
Total liabilities	2,646,042	2,877,444
Commitments and contingencies (Notes 6)		
Shareholders' equity (Notes 7 and 8):		
Common stock \$1.00 par; authorized 300,000,000 shares; issued 119,443,000 shares and 119,431,000 shares, respectively	119,443	119,431
Additional paid-in capital	569,126	569,437
Retained earnings	1,028,863	1,088,008
Cumulative other comprehensive income (Note 8)	55,379	27,812
Treasury stock at cost, 5,524 shares and 7,422 shares, respectively	(161)	(178)
	<u>1,772,650</u>	<u>1,804,510</u>
Total shareholders' equity	1,772,650	1,804,510
Total liabilities and shareholders' equity	\$4,418,692	\$4,681,954

See Notes to Consolidated Financial Statements.

## AVNET, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS

	Second Quarters Ended		First Halves Ended	
	December 27, 2002	December 28, 2001	December 27, 2002	December 28, 2001
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Thousands, except per share data)			
Sales	\$2,346,665	\$2,359,850	\$4,520,555	\$4,561,045
Cost of sales	2,031,099	2,041,234	3,907,370	3,931,867
Gross profit	315,566	318,616	613,185	629,178
Selling, general and administrative expenses	390,758	294,810	668,424	601,747
Operating income (loss)	(75,192)	23,806	(55,239)	27,431
Other income, net	4,658	3,195	10,596	3,789
Interest expense	(24,306)	(33,101)	(51,337)	(71,172)
Loss before income taxes	(94,840)	(6,100)	(95,980)	(39,952)
Income tax benefit	(36,183)	(3,524)	(36,835)	(18,169)
Loss before cumulative effect of change in accounting principle	(58,657)	(2,576)	(59,145)	(21,783)
Cumulative effect of change in accounting principle (Note 4)	—	—	—	(580,495)
Net loss	\$ (58,657)	\$ (2,576)	\$ (59,145)	\$ (602,278)
Loss per share before cumulative effect of change in accounting principle (Notes 4 and 9):				
Basic	\$ (0.49)	\$ (0.02)	\$ (0.49)	\$ (0.18)
Diluted	\$ (0.49)	\$ (0.02)	\$ (0.49)	\$ (0.18)
Net loss per share (Notes 4 and 9):				
Basic	\$ (0.49)	\$ (0.02)	\$ (0.49)	\$ (5.10)
Diluted	\$ (0.49)	\$ (0.02)	\$ (0.49)	\$ (5.10)
Shares used to compute loss per share (Notes 9):				
Basic	119,419	118,135	119,419	117,993
Diluted	119,419	118,135	119,419	117,993

See Notes to Consolidated Financial Statements

## AVNET, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	First Halves Ended	
	December 27, 2002	December 28, 2001
	(Unaudited)	(Unaudited)
	(Thousands)	
Cash flows from operating activities:		
Net loss	\$ (59,145)	\$(602,278)
Cumulative effect of change in accounting principle (Note 4)	—	580,495
Net loss before cumulative effect of change in accounting principle	(59,145)	(21,783)
Non-cash and other reconciling items:		
Depreciation and amortization	47,709	46,664
Deferred taxes	(3,495)	(1,654)
Other, net	79,481	17,807
	64,550	41,034
Changes in (net of effects of businesses acquired):		
Receivables	(6,922)	266,086
Inventories	199,351	316,332
Payables, accruals and other, net	194,023	(19,129)
Net cash flows provided from operating activities	451,002	604,323
Cash flows from financing activities:		
Repayment under accounts receivable securitization program (Note 3)	(150,000)	—
Issuance of notes in public offering, net of issuance costs	—	394,328
Repayment of notes	—	(528,969)
Repayment of commercial paper and bank debt, net (Note 5)	(257,833)	(360,592)
Repayment of other debt, net (Note 5)	(1,539)	(2,315)
Cash dividends	—	(17,673)
Other, net	(67)	7,469
Net cash flows used for financing activities	(409,439)	(507,752)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(16,098)	(45,628)
Acquisition of operations and investments, net	(1,899)	(25,356)
Net cash flows used for investing activities	(17,997)	(70,984)
Effect of exchange rate changes on cash and cash equivalents	2,938	1,265
Cash and cash equivalents:		
— increase	26,504	26,852
— at beginning of period	159,234	97,279
— at end of period	\$ 185,738	\$ 124,131
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 unaudited interim 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 and the special 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 June 28, 2002.

2. The results of operations for the first half and second quarter ended December 27, 2002 are not necessarily indicative of the results to be expected for the full year.

3. Accounts receivable securitization:

In June 2001, the Company entered into a five-year accounts receivable securitization program (the "Program") with a financial institution. The Program allows the Company to sell, on a revolving basis, an undivided interest of up to \$350,000,000 in eligible U.S. receivables while retaining a subordinated interest in a portion of the receivables. The eligible receivables 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 Company continues servicing the sold receivables and charges the third party conduits a monthly servicing fee at market rates; accordingly, no servicing asset or liability has been recorded. Cash received from the Program has been used primarily to pay down outstanding external financing.

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." As of December 27, 2002 and June 28, 2002, the outstanding balance of securitized accounts receivable held by the third party conduits, net of applicable allowances, totaled \$77,172,000 and \$324,570,000, respectively, of which the Company's subordinated retained interest was \$27,172,000 and \$124,570,000, respectively. Accordingly, \$50,000,000 and \$200,000,000 of accounts receivable balances were removed from the consolidated balance sheets at December 27, 2002 and June 28, 2002, respectively, with those funds being used to reduce outstanding debt.

The Program agreement requires the Company to maintain minimum senior unsecured credit ratings in order to continue utilizing the Program in its current form. In December 2002, the Company amended the Program agreement to lower the minimum ratings triggers to Ba2 by Moody's Investor Services ("Moody's") or BB by Standard & Poors ("S&P").

4. Goodwill and impairment:

The Company adopted 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" during the first half of its prior fiscal year. SFAS 141 requires that all business combinations initiated after June 30, 2001 be accounted for under the purchase method and that certain identifiable intangible assets be recognized as assets apart from goodwill. The Company has no other material identifiable intangible assets besides goodwill. SFAS 142 requires that ratable amortization of goodwill be replaced with periodic tests for goodwill impairment. Therefore, the amortization of goodwill was suspended effective from the adoption date forward and in all periods presented herein.

The carrying amount of goodwill upon adoption of SFAS 142 on June 30, 2001 was \$1,404,863,000, net of accumulated amortization through that date. Under the transitional impairment provisions of SFAS 142, the Company identified and evaluated its reporting units for impairment of goodwill as of June 30, 2001 using a combination of present value and multiple of earnings valuation techniques. The carrying amounts of certain reporting units exceeded their fair values at the date of adoption. As a result, the Company recorded an impairment charge of \$580,495,000, which was recorded in the consolidated statement of operations as a cumulative effect of change in accounting principle during the first half ended December 28, 2001.

## AVNET, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table presents the carrying amount of goodwill, by reportable segment, for the first half ended December 27, 2002:

	Electronics Marketing	Computer Marketing	Applied Computing	Total
	(Thousands)			
Carrying value at June 28, 2002	\$591,398	\$253,199	\$ —	\$844,597
Additions	1,532	—	—	1,532
Other	(50)	142	—	92
Carrying value at December 27, 2002	\$592,880	\$253,341	\$ —	\$846,221

The “Other” caption above primarily represents the impact of changes in foreign currency exchange rates on goodwill denominated in currencies other than U.S. dollars.

During the first quarter of fiscal 2003, the Company and the seller of certain European operations of the VEBA Electronics Group (consisting of EBV, WBC, Atlas Logistics and RKE Systems) resolved certain remaining purchase price contingencies related to this acquisition, which was completed during fiscal 2001. This resolution resulted in a refund to Avnet, totaling approximately \$6,486,000, of a portion of the amount paid at the closing of the acquisition. This refunded purchase price was recorded as a reduction in operating expenses in the consolidated statement of operations for the first quarter of fiscal 2003 as the related goodwill had been written off as a result of the transition impairment test performed upon the adoption of SFAS 142.

#### 5. External financing:

Short-term debt consists of the following:

	December 27, 2002	June 28, 2002
	(Thousands)	
Bank credit facilities	\$ 29,962	\$54,158
4.5% Convertible Notes due 2004	3,031	3,031
6.45% Notes due August 15, 2003	200,000	—
8.20% Notes due October 17, 2003	250,000	—
Other debt due within one year	981	2,120
Short-term debt	\$483,974	\$59,309

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 both December 27, 2002 and June 28, 2002 were 3.4%.

As of its acquisition of Kent Electronics Corporation (“Kent”) on June 8, 2001, Avnet assumed Kent’s 4.5% Convertible Notes due 2004 (the “Notes”). During the first quarter of fiscal 2002, virtually all holders of the Notes exercised their put options by selling the Notes back to the Company. As of December 27, 2002 and June 28, 2002, \$3,031,000 in Notes remain outstanding. The Company has the right to redeem all remaining Notes upon 30-day prior notice.

## AVNET, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Long-term debt consists of the following:

	December 27, 2002	June 28, 2002
	(Thousands)	
6.45% Notes due August 15, 2003.	\$ —	\$ 200,000
8.20% Notes due October 17, 2003	—	250,000
6 7/8% Notes due March 15, 2004	100,000	100,000
7 1/8% Notes due February 15, 2005	360,000	360,000
8.00% Notes due November 15, 2006	400,000	400,000
Syndicated bank credit facilities	—	178,410
Commercial paper	8,300	63,964
Other long-term debt	7,455	6,419
	<hr/>	<hr/>
Subtotal	875,755	1,558,793
Fair value adjustment for hedged 8.00% Notes	30,626	7,043
	<hr/>	<hr/>
Long-term debt	\$906,381	\$1,565,836

During the quarter ended December 27, 2002, the Company amended its syndicated bank credit facilities. Prior to the amendment, the bank credit facilities included: a multi-year credit facility with a syndicate of banks that provided up to \$428,750,000 in financing; a 364-day credit facility providing up to \$488,750,000 in financing; and a \$82,500,000 term loan facility that matured in November 2001. The multi-year credit facility is a three-year revolving, multi-currency facility that matures on October 25, 2004. The Company may select from various interest rate options and maturities under this facility.

The amended terms of the multi-year credit facility reduce the available borrowings under the facility to \$300,000,000. Availability under the facility will increase back to the original \$428,750,000 if the Company completes a qualified capital markets transaction for net proceeds of \$325,000,000 or more by April 15, 2003. Additionally, the 364-day credit facility was terminated as part of this amendment. There were no drawings on the 364-day credit facility at the time of its termination.

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

The amended agreement also contains a “springing lien” provision whereby borrowings under the amended multi-year credit facility will become secured by the inventory held by Avnet and certain of its domestic and foreign subsidiaries, substantially all of Avnet’s domestic real property, certain deposit accounts and certain receivables if the following events occur: (a) the establishment of a debt rating of Ba1 or lower by Moody’s Investor Services (“Moody’s”) or BB+ or lower by Standard and Poor’s (“S&P”); (b) the failure by the Company to consummate a qualified capital markets transaction with net proceeds of \$325,000,000 or more by February 14, 2003; and (c) the termination of Avnet’s current accounts receivable securitization program (see Note 3) without simultaneously entering into another securitization with similar terms. The amended terms also call for the lien to spring if the Company draws on the facility at any time prior to February 14, 2003 without having completed a qualified capital markets transaction. There were no borrowings outstanding on the facility at December 27, 2002.

The amended multi-year credit facility combined with the accounts receivable securitization program provide the Company with total available drawings of \$650,000,000 against which the Company had drawn \$50,000,000 (all under the accounts receivable securitization program) at December 27, 2002.

## AVNET, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Outstanding balances under the bank credit facilities at June 28, 2002 consisted primarily of foreign currency borrowings under the multi-year credit facility described above with a weighted average interest rate of 4.4%. The weighted average interest rate on the commercial paper program was 3.5% at December 27, 2002 and 3.7% at June 28, 2002. The Company classifies borrowings under its commercial paper program as long-term as it has the intent and ability to refinance such borrowings under its multi-year credit facility.

In November 2001, the Company entered into two interest rate swaps (the "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 Swaps modify the Company's interest rate exposure by effectively converting the 8.0% fixed rate on the 8% Notes to a floating rate based on three-month U.S. LIBOR plus a spread through their maturities (4.3% at December 27, 2002). The hedged fixed rate debt and the 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 Swaps directly offset one another. The fair value of the Swaps at December 27, 2002 and June 28, 2002 was \$30,626,000 and \$7,043,000, 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. 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 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.

In connection with the Company's January 2000 acquisition of 84% of the stock of Eurotronics B.V., which went to market as SEI, the Company entered into a share purchase agreement with the sellers that called for an additional payment of cash or common stock of the Company if the Company's share price does not reach a specified minimum by January 2004. This guarantee would result in an additional payment to the sellers of approximately \$80,600,000 based upon the Company's stock price as of December 27, 2002.

7. Number of shares of common stock reserved for stock option and stock incentive programs as of December 27, 2002: 12,769,748

8. Comprehensive income (loss):

	Second Quarters Ended		First Halves Ended	
	December 27, 2002	December 28, 2001	December 27, 2002	December 28, 2001
	(Thousands)			
Net loss	\$(58,657)	\$ (2,576)	\$(59,145)	\$(602,278)
Foreign currency translation adjustments	39,085	(27,834)	27,567	9,343
Total comprehensive loss	\$(19,572)	\$(30,410)	\$(31,578)	\$(592,935)

AVNET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

9. Loss per share:

	Second Quarters Ended		First Halves Ended	
	December 27, 2002	December 28, 2001	December 27, 2002	December 28, 2001
(Thousands, except per share data)				
Numerator:				
Loss before cumulative effect of change in accounting principle	\$ (58,657)	\$ (2,576)	\$ (59,145)	\$ (21,783)
Cumulative effect of change in accounting principle	—	—	—	(580,495)
Net loss	\$ (58,657)	\$ (2,576)	\$ (59,145)	\$ (602,278)
Denominator:				
Weighted average common shares for basic and diluted loss per share	119,419	118,135	119,419	117,993
Basic and diluted loss per share:				
Loss before cumulative effect of change in accounting principle	\$ (0.49)	\$ (0.02)	\$ (0.49)	\$ (0.18)
Cumulative effect of change in accounting principle	—	—	—	(4.92)
Net loss per basic and diluted share	\$ (0.49)	\$ (0.02)	\$ (0.49)	\$ (5.10)

The 4.5% convertible notes are excluded from the computation of loss per share in each period presented as the effects were antidilutive. Additionally, in the second quarter and first half ended December 27, 2002, the effects of approximately 11,101,000 shares, and in the second quarter and first half ended December 28, 2001, the effects of approximately 11,231,000 shares, related to stock options and restricted stock awards are excluded from the determination of the weighted average common shares for diluted loss per share shown above as the effects were antidilutive.

10. Additional cash flow information:

Other non-cash and other reconciling items primarily include the provision for doubtful accounts and certain non-cash special charges (see Note 12).

Interest and income taxes paid (refunded) during the first halves of fiscal 2003 and 2002 were as follows:

	First Halves Ended	
	December 27, 2002	December 28, 2001
	(Thousands)	
Interest	\$ 51,840	\$71,030
Income taxes	(159,985)	11,701

The refund during the first half ended December 27, 2002 relates to a tax benefit recorded during fiscal 2002 for which cash was received during the current period related to certain foreign losses that were deductible in the United States.

AVNET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

11. Segment information:

	Second Quarters Ended		First Halves Ended	
	December 27, 2002	December 28, 2001	December 27, 2002	December 28, 2001
	(Thousands)			
Sales:				
Electronics Marketing	\$1,204,074	\$1,171,915	\$2,445,840	\$2,409,521
Computer Marketing	682,910	704,797	1,215,120	1,276,752
Applied Computing	459,681	483,138	859,595	874,772
	<u>\$2,346,665</u>	<u>\$2,359,850</u>	<u>\$4,520,555</u>	<u>\$4,561,045</u>
Operating income (loss):				
Electronics Marketing	\$ 22,511	\$ (1,800)	\$ 37,192	\$ (6,769)
Computer Marketing	16,060	23,036	23,216	33,874
Applied Computing	5,602	16,975	8,871	31,475
Corporate	(12,600)	(14,405)	(17,753)	(31,149)
	<u>31,573</u>	<u>23,806</u>	<u>51,526</u>	<u>27,431</u>
Special Charges	(106,765)	—	(106,765)	—
	<u>\$ (75,192)</u>	<u>\$ 23,806</u>	<u>\$ (55,239)</u>	<u>\$ 27,431</u>
Sales, by geographic area:				
Americas	\$1,313,782	\$1,447,065	\$2,586,891	\$2,792,483
EMEA	790,125	746,099	1,479,342	1,440,352
Asia	242,758	166,686	454,322	328,210
	<u>\$2,346,665</u>	<u>\$2,359,850</u>	<u>\$4,520,555</u>	<u>\$4,561,045</u>

	December 27, 2002	June 28, 2002
	(Thousands)	
Assets:		
Electronics Marketing	\$2,738,241	\$2,940,788
Computer Marketing	936,809	888,190
Applied Computing	435,820	513,840
Corporate	307,822	339,136
	<u>\$4,418,692</u>	<u>\$4,681,954</u>
Assets, by geographic area:		
Americas	\$2,723,458	\$2,892,410
EMEA	1,302,666	1,443,996
Asia	392,568	345,548
	<u>\$4,418,692</u>	<u>\$4,681,954</u>

The Company manages its business based upon the operating results of its three operating units before special charges (see Note 12). During the quarter ended December 27, 2002, the approximate unallocated special charges related to Electronics Marketing, Computer Marketing and Applied Computing, respectively,

## AVNET, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

were \$84,096,000, \$19,103,000 and \$2,209,000. The remaining special charges recorded during the current fiscal year relate to corporate activities.

Beginning in fiscal 2003, the Company allocated its remaining goodwill, previously included in the total assets for "Corporate," to the applicable segment level in order to better evaluate and measure performance of its segment operations. The asset information as of June 28, 2002 in the table above has been reclassified to disclose this information on a basis consistent with the current year presentation.

## 12. Special charges:

During the second quarter ended December 27, 2002, the Company executed certain actions as part of its ongoing cost reduction initiatives and, accordingly, recorded a special charge totaling \$106,765,000 pre-tax, \$65,749,000 after tax, or \$0.55 per diluted share for the second quarter and for the year to date. The entire pre-tax charge is included in selling, general and administrative expenses in the accompanying statements of operations. The charge consisted of severance costs (\$21,700,000 pre-tax), charges related to the consolidation of selected facilities (\$37,359,000 pre-tax) and charges related to certain IT-related initiatives (\$47,706,000 pre-tax).

Severance costs and charges related to the consolidation of selected facilities were taken during the quarter in response to the current business environment. During the quarter, management identified a number of facilities worldwide to be consolidated into other existing facilities. The charges relate to reserves for remaining non-cancelable lease obligations, write-downs of the carrying value of certain owned facilities and write-downs of owned assets located in these leased and owned facilities that have been or will be vacated. Additionally, workforce reductions at these and other facilities worldwide resulted in terminations of more than 750 personnel and the related severance charges. Also during the second quarter of fiscal 2003, management evaluated and elected to discontinue a number of IT-related initiatives that, in light of recent business restructurings, no longer meet the Company's return on investment standards for continued use or development. The charges relate to the write-off of capitalized hardware, software and software licenses.

Of the special charge of \$106,765,000, \$59,027,000 represented non-cash asset writedowns and \$47,738,000 requires the use of cash, of which \$6,763,000 had been expended as of December 27, 2002. The unutilized portion of the fiscal 2003 special charge at December 27, 2002 relates to severance accruals, substantially all of which are expected to be utilized by the end of fiscal 2003, and contractual lease commitments, substantially all of which are scheduled to be utilized by the end of fiscal 2006. The unutilized portion of special charges recorded prior to fiscal 2003 relate primarily to contractual lease commitments, substantially all of which are scheduled to be utilized by the end of fiscal 2007.

The following table summarizes the Company's special charge activity during the first half ended December 27, 2002:

	Severance Costs	Facility Exit Costs	IT-Related Costs	Reorganization Costs	Acquisition Integration Costs	Total
	(Thousands)					
Balance at June 28, 2002	\$ —	\$ —	\$ —	\$8,075	\$21,322	\$ 29,397
Fiscal 2003 activity	21,700	37,359	47,706	—	—	106,765
Amounts utilized	5,274	13,032	47,484	6,161	5,156	77,107
Balance at December 27, 2002	\$16,426	\$24,327	\$ 222	\$1,914	\$16,166	\$ 59,055

**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 second quarters and first halves ended December 27, 2002 and December 28, 2001, 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 June 28, 2002.

**OVERVIEW**

**Organization**

Avnet, Inc. and its subsidiaries (the "Company" or "Avnet") is the world's largest industrial distributor, based on latest fiscal year sales, of electronic components, enterprise network and computer equipment and embedded subsystems. Avnet creates a vital link in the chain that currently connects over 250 of the world's leading electronic component and computer product manufacturers to a global customer base of over 100,000 original equipment manufacturers ("OEMs"), contract manufacturers, value-added resellers ("VARs") and end-users. Additionally, Avnet provides engineering design, material management and logistic services, system integration and configuration, and supply chain advisory services. The Company currently consists of three operating groups, Electronics Marketing ("EM"), Computer Marketing ("CM") and Applied Computing ("AC"), each with operations in the major economic regions of the world: the Americas; EMEA (Europe, Middle East and Africa); and Asia. A brief summary of each group is provided below:

- EM markets and sells semiconductors; interconnect, passive and electromechanical devices; and radio frequency ("RF")/microwave components. EM markets and sells its products and services to all sizes of customers, spread across end-markets including communications, computer hardware and peripheral, industrial and manufacturing, medical equipment, and military and aerospace. EM also offers an array of value-added services to its customers, such as supply-chain management, engineering design, inventory replenishment systems, connector and cable assembly and semiconductor programming.
- CM markets and sells enterprise computing products and value-added services, including mid- to high-end servers, storage and networking solutions. CM markets and sells its products and services to the VAR channel and corporate enterprise computing customers.
- AC markets and sells products and solutions including the latest computer component technologies and embedded systems and technical services, such as product prototyping, configuration, integration and other value-added services. AC markets and sells computer components and services to PC builders and manufacturers of application-specific embedded computing solutions in the non-PC marketplace. Primary end-markets include medical equipment, communications, industrial and manufacturing, and digital creation.



## RESULTS OF OPERATIONS

### Sales

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

#### Period Sales by Operating Group and Geography

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

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

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

Avnet's second fiscal quarter is traditionally the strongest quarter for the two computing businesses (CM and AC). The sequential improvement in these two groups helped to yield a \$172.8 million, or 7.9%, increase in consolidated sales as compared to the first quarter of fiscal 2003. CM worldwide sales of \$682.9 million were up \$150.7 million, or 28.3%, as compared with the first quarter of fiscal 2003. This increase was due primarily to strength in CM's computer hardware, storage and software product lines. AC worldwide sales of

## Table of Contents

\$459.7 million were up \$59.8 million, or 14.9%, as compared with the first quarter of fiscal 2003. These increases were due primarily to strong demand for microprocessors, which was most evident in EMEA and Asia. These regional sequential improvements in AC were offset in part by a decline in the Americas, which is attributable primarily to management's strategic decision to exit some low-profit, low return-on-capital-employed business relationships. The sequential quarterly increases at CM and AC more than offset the worldwide sequential decline in EM sales of \$37.7 million, or 3.0%. EM's sequential decline is most evident in the Americas due to continued weakness in demand for components, which was compounded by the decision of many OEMs to shut down their manufacturing operations in advance of and through the year-end holidays. Sequential improvement in EMEA and Asia helped to offset a portion of the decline in the Americas, with the strength of Asia due primarily to healthier markets driven by strong demand in the consumer and automotive markets served by OEMs in Asia.

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

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

### **Gross Profit Margins**

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

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

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

## Operating Expenses

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

Operating expenses, before special charges, as a percentage of sales in the second quarter of fiscal 2003 were 12.1%, down from 12.5% in the second quarter of fiscal 2002 and 12.8% in the prior sequential quarter. Including special charges, operating expenses in the second quarter of fiscal 2002 were 16.7% of sales. The decline in operating expenses as a percentage of sales is a result of ongoing expense reduction plans implemented during this and prior quarters. Beginning with the second quarter of fiscal 2001, management has reduced quarterly operating expenses, before special charges, by nearly \$75.0 million per quarter. If the impact of the change in foreign currency exchange rates on the translation of foreign currency denominated financial statements into U.S. dollars since the second quarter of fiscal 2001 were excluded, the savings would total approximately \$89.0 million per quarter. This reduction takes into account a pro forma adjustment of \$15.7 million to increase the actual reported expenses in the second quarter of fiscal 2001 to account for the impact of the operations of the VEBA Group, which were acquired partway through that quarter. Additionally, the pro forma adjustments to operating expenses remove the goodwill amortization expense of \$8.8 million for periods prior to the beginning of fiscal 2002, the Company's adoption date for SFAS 142 (see Note 4 to the accompanying consolidated financial statements appearing in Item 1 of this Report), in order to be consistent with the current method of accounting under SFAS 142 whereby goodwill is no longer amortized.

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

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

Also during the second quarter of fiscal 2003, management evaluated and elected to discontinue a number of IT-related initiatives that, in light of recent business restructurings, no longer meet the Company's

## [Table of Contents](#)

return on investment standards for continued use or development. The charges relate to the write off of capitalized hardware, software and software licenses.

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

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

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

### Operating Income (Loss)

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

#### Quarterly Operating Income (Loss) Margin Analysis

##### By Operating Unit

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

Consolidated operating income, before special charges, was \$31.6 million (1.35% of consolidated sales) in the second quarter of fiscal 2003 as compared to \$23.8 million (1.01% of consolidated sales) in the second quarter of fiscal 2002 and \$20.0 million (0.92% of consolidated sales) in the prior sequential quarter. Including special charges incurred in the second quarter of fiscal 2003, the Company recorded an operating loss of \$75.2 million, or 3.20% of consolidated sales.

Consolidated operating income, before special charges, was \$51.5 million (1.14% of consolidated sales) in the first half of fiscal 2003 as compared to \$27.4 million (0.60% of consolidated sales) in the first half of fiscal

## [Table of Contents](#)

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

### Interest Expense

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

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

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

#### Quarterly Net Income (Loss)

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

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

Net income, before special charges, was \$6.6 million for the first half of fiscal 2003, or \$0.06 per share on a diluted basis. This compares with a loss, excluding the cumulative effect of change in accounting principle associated with the adoption of SFAS 142, of \$21.8 million, or \$0.18 per share on a diluted basis, in the first half of fiscal 2002. Including the cumulative effect of change in accounting principle, the Company recorded a net loss of \$602.3 million, or \$5.10 per share on a diluted basis, in the first half of fiscal 2002.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash Flow

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

### Capital Structure and Contractual Obligations

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

#### Capital Structure

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

The table above excludes amounts outstanding under Avnet's accounts receivable securitization program. These amounts totaled \$50.0 million and \$200.0 million at December 27, 2002 and June 28, 2002, respectively. See Note 3 to the Consolidated Financial Statements appearing in Item 1 of this Report.

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 in the Company's Annual Report on Form 10-K. With the exception of paydowns of debt obligations discussed herein and regularly scheduled lease payments, there are no material changes to this information.

In connection with the Company's January 2000 acquisition of 84% of the stock of Eurotronics B.V., which went to market as SEI, the Company entered into a share purchase agreement with the sellers that called for an additional payment of cash or common stock of the Company if the Company's share price does not reach a specified minimum by January 2004. This guarantee would result in an additional payment to the sellers of approximately \$80.6 million based upon the Company's stock price as of December 27, 2002.

### Financing

During the quarter ended December 27, 2002, the Company amended its syndicated bank credit facilities. Prior to the amendment, the bank credit facilities included: a multi-year credit facility with a syndicate of banks that provided up to \$428.75 million in financing; a 364-day credit facility providing up to \$488.75 million in financing; and a \$82.5 million term loan facility that matured in November 2001. The multi-year credit facility is a three-year revolving, multi-currency facility that matures on October 25, 2004. The Company may select from various interest rate options and maturities under this facility.

## Table of Contents

The amended terms of the multi-year credit facility reduce the available borrowings under the facility to \$300.0 million. Availability under the facility will increase back to the original \$428.75 million if the Company completes one or more qualified capital markets transaction with combined net proceeds of \$325.0 million or more by April 15, 2003. Additionally, the 364-day credit facility was terminated as part of this amendment. There were no drawings on the 364-day credit facility at the time of its termination.

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

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

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

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

In November 2001, the Company issued \$400.0 million of 8.0% Notes due November 15, 2006 (the 8% Notes). The net proceeds received by the Company from the sale of the 8% Notes were approximately \$394.3 million after deduction of the underwriting discounts and other expenses associated with the sale. The net proceeds from the 8% Notes were used to repay commercial paper and other short-term indebtedness. The 8% Notes are hedged with two interest rate swaps as discussed in Note 5 to the consolidated financial statements appearing in Item 1 of this Report. The swaps effectively convert the 8% Notes from a fixed rate to a floating rate based upon U.S. LIBOR plus a spread. The Company accounts for the hedges using the shortcut method as defined under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by Statement of Financial Accounting Standards No. 138, "Accounting for Certain Derivative and Hedging Activities." Due to the effectiveness of the hedges since inception, the market value adjustments for the hedged 8% Notes and for the swaps directly offset one another in interest expense.

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

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

## **Covenants and Conditions**

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

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

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

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

## **Liquidity Analysis**

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



## [Table of Contents](#)

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

### Comparative Analysis Liquidity\*

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

\* Excludes (i) receivables that have been sold from current and quick assets and (ii) amounts outstanding under the Company's accounts receivable securitization program from debt. These amounts total \$50.0 million and \$200.0 million at December 27, 2002 and June 28, 2002, respectively. See Note 3 to the Consolidated Financial Statements appearing in Item 1 of this Report.

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

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

### Recently Issued Accounting Pronouncements

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

In August 2001, the FASB issued Statement of Financial Accounting Standards No. 144 ("SFAS 144"), "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS 144 became effective for the Company on June 29, 2002. SFAS 144 amends and supersedes Statement of Financial Accounting Standards No. 121 ("SFAS 121"), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." However, SFAS 144 retains the fundamental provisions of SFAS 121 for (a) recognition and measurement of the impairment of long-lived assets to be held and used and (b) measurement of long-lived assets to be disposed of by sale. SFAS 144 also amends and supersedes previous guidance on reporting

## [Table of Contents](#)

for discontinued operations. The adoption of SFAS 144 did not have a material effect on the Company's consolidated financial statements.

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

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

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

See Item 7A in the Company's Annual Report on Form 10-K for the year ended June 28, 2002 and the "Liquidity and Capital Resources" section of the MD&A in Item 2 of this Form 10-Q.

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

The Company's management, including its Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934 (the Exchange Act)) as of a date within 90 days prior to the filing of this quarterly report (the Evaluation Date). Based on such evaluation, the Company's management has concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective for gathering, analyzing and disclosing the information required to be disclosed in the Company's periodic reports under the Exchange Act. No significant changes were made in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the Evaluation Date.

**PART II**

**OTHER INFORMATION**

**Item 1. *Legal Proceedings***

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

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

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

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

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

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

(a) The 2002 Annual Meeting of the Shareholders of the Company was held on November 7, 2002.

(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.

## Table of Contents

(c) The shareholders of the Company were asked to vote upon (i) election of directors, (ii) a proposal to approve the Avnet Executive Incentive Plan; and (iii) ratification of the appointment of KPMG LLP as independent auditors for the fiscal year ending June 27, 2003. The shareholders adopted all proposals by the following votes:

<b>Election of Directors</b>	<b>For</b>	<b>Withheld</b>		
Eleanor Baum	103,037,633	1,387,899		
J. Veronica Biggins	102,862,108	1,563,424		
Lawrence W. Clarkson	102,755,471	1,670,061		
Ehud Houminer	103,639,060	786,472		
James A. Lawrence	103,654,355	771,177		
Salvatore J. Nuzzo	103,636,349	789,183		
Ray M. Robinson	102,143,510	2,282,022		
Frederic Salerno	103,420,740	1,004,789		
Gary L. Tooker	101,915,650	2,509,882		
Roy Vallee	101,209,716	3,215,816		

  

<b>Matter</b>	<b>For</b>	<b>Against</b>	<b>Abstain</b>	<b>Broker Non-Votes</b>
Approve the Avnet Executive Incentive Stock Plan	94,435,236	6,992,260	2,998,035	0
Ratification of the appointment of KPMG as independent auditors	102,175,543	2,163,414	86,545	0

(d) Not applicable.

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

#### **A. Exhibits**

- 3A. Restated Certificate of Incorporation of the Company (incorporated herein by reference to the Company's Report on Form 8-K dated February 12, 2001, Exhibit 3(j)).
- 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 the holders of the 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.
- 10A. Retirement and Separation Agreement dated as of November 1, 2002 by and between the Company and John Cole.
- 10B. Third Amendment to Credit Agreement dated as of November 23, 2002 by and among the Company, the lenders party thereto, and Bank of America, N.A., as administrative agent.
- 10C. Fourth Amendment to Credit Agreement dated as of December 9, 2002 by and among the Company, the lenders party thereto, and Bank of America, N.A., as administrative agent.
- 10D. Fifth Amendment to Credit Agreement dated as of December 12, 2002 by and among the Company, the lenders party thereto, and Bank of America, N.A., as administrative agent.
- 10E. Sixth Amendment to Credit Agreement dated as of December 13, 2002 by and among the Company, the lenders party thereto, and Bank of America, N.A., as administrative agent.
- 99.1 Certification by Roy Vallee, Chief Executive Officer, under Section 906 of the Sarbanes-Oxley Act of 2002.
- 99.2 Certification by Raymond Sadowski, Chief Financial Officer, under Section 906 of the Sarbanes-Oxley Act of 2002.

**B. Reports on Form 8-K:**

During the second quarter of fiscal 2003, the Company filed the following Current Reports on Form 8-K: (1) Current Report on Form 8-K bearing cover date of October 10, 2002 in which the Company filed an exhibit under Item 7 containing the second amendment to Avnet's multi-year credit agreement and reported under Item 9 that Avnet issued a press release commenting on its upcoming first quarter fiscal year 2003 results and on the amendment to the credit agreement; (2) Current Report on Form 8-K bearing cover date of October 16, 2002 in which the Company reported under Item 9 that it had issued press releases announcing (i) a "frequently asked questions" posting on Avnet's web site regarding its debt and liquidity position and (ii) that its first quarter of fiscal 2003 corporate update conference call would be held on October 24, 2002; (3) Current Report on Form 8-K bearing cover date of October 24, 2002 in which the Company reported under Item 9 that it issued a press release announcing the first quarter of fiscal 2003 results; (4) Current Report on Form 8-K bearing cover date of October 31, 2002 in which the Company reported under Item 9 that it had issued a press release announcing the webcast of Avnet's Annual Meeting of Shareholders on November 7, 2002; (5) Current Report on Form 8-K bearing cover date of December 5, 2002 in which the Company reported under Item 9 that it issued a press release regarding the Company's participation in the upcoming Raymond James IT Supply Chain Conference; (6) Current Report on Form 8-K bearing cover date of December 9, 2002 in which the Company reported under Item 9 that it issued a press release announcing Avnet's Analyst Day at the New York Stock Exchange on December 17, 2002; and (7) Current Report on Form 8-K bearing cover date of December 17, 2002 in which the Company filed multiple exhibits under Item 7 containing amendments to the Receivables Purchase Agreements and Receivables Sales Agreement associated with Avnet's accounts receivable securitization program and reported under Item 9 that Avnet issued a press release announcing the amendments to Avnet's accounts receivable securitization program and multi-year bank credit facility and commenting on the outlook for the second quarter of fiscal 2003.

**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: January 27, 2003

**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 quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a. designed such disclosure controls and procedures 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 quarterly report is being prepared;
  - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the Evaluation Date); and
  - c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ ROY VALLEE

---

Roy Vallee  
*Chief Executive Officer*

Date: January 27, 2003

**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 quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a. designed such disclosure controls and procedures 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 quarterly report is being prepared;
  - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the Evaluation Date); and
  - c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - d. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - e. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ RAYMOND SADOWSKI

---

Raymond Sadowski  
*Chief Financial Officer*

Date: January 27, 2003



**INDEX TO EXHIBITS**

- 3A. Restated Certificate of Incorporation of the Company (incorporated herein by reference to the Company's Report on Form 8-K dated February 12, 2001, Exhibit 3(j)).
- 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 the holders of the 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.
- 10A. Retirement and Separation Agreement dated as of November 1, 2002 by and between the Company and John Cole.
- 10B. Third Amendment to Credit Agreement dated as of November 23, 2002 by and among the Company, the lenders party thereto, and Bank of America, N.A., as administrative agent.
- 10C. Fourth Amendment to Credit Agreement dated as of December 9, 2002 by and among the Company, the lenders party thereto, and Bank of America, N.A., as administrative agent.
- 10D. Fifth Amendment to Credit Agreement dated as of December 12, 2002 by and among the Company, the lenders party thereto, and Bank of America, N.A., as administrative agent.
- 10E. Sixth Amendment to Credit Agreement dated as of December 13, 2002 by and among the Company, the lenders party thereto, and Bank of America, N.A., as administrative agent.
- 99.1 Certification by Roy Vallee, Chief Executive Officer, under Section 906 of the Sarbanes-Oxley Act of 2002.
- 99.2 Certification by Raymond Sadowski, Chief Financial Officer, under Section 906 of the Sarbanes-Oxley Act of 2002.

RETIREMENT AND SEPARATION AGREEMENT

This Retirement and Separation Agreement ("Agreement") is entered into as of November 1, 2002 between John Cole, ("Cole") and Avnet, Inc. ("Avnet" or "the Company").

WHEREAS, Cole is employed by Avnet as its Controller;

WHEREAS, Cole desires to retire from his position with Avnet and Avnet wishes to provide for continued services from Cole for a period following his retirement from his position as Controller; and

WHEREAS, Cole and Avnet desire to resolve any differences arising out of his employment with the Company and the termination of such employment by his retirement;

NOW, THEREFORE, in consideration of the mutual promises contained in this Agreement, Cole and the Company agree to the following:

1. Cole's employment with the Company shall terminate effective August 31, 2006 (the "Effective Date"). Cole's employment status until August 31, 2006 will be that of a regular full-time employee with eligibility for normal company benefits except as specified below. On August 31, 2006, Cole's employment will terminate and will be coded in the company's records as a retirement.
2. Cole will receive the following consideration:
  - a. Between the date on which this Agreement is fully executed and August 31, 2003, Cole will continue to work on a full-time regular basis and will assist with training his replacement as Controller of Avnet, Inc. On September 1, 2003, Cole will resign his position as Controller of Avnet, Inc. From September 1, 2003 through August 31, 2006, Cole will not be assigned regular duties and will not be required to report to work. Cole's status will be "on-call" status and the Company may contact Cole on a periodic basis to answer questions and provide necessary assistance.
  - b. Cole will be paid through August 31, 2003 at his current base rate of pay of \$166,000 per year and will receive payment for all accrued vacation and unused floating holidays as a lump sum. No vacation or floating holidays shall accrue after August 31, 2003.
  - c. Effective September 1, 2003 through August 31, 2006, Cole's salary will be reduced to an annual rate of \$69,167 per year, to be paid on a bi-weekly basis. The length of salary continuation and term of employment may be shortened by at Cole's option, but the total payment commitment of \$207,500 for the period from September 1, 2003 through August 31, 2006 will not be changed.
  - d. Cole will continue to be eligible for participation in Avnet benefit programs in effect for Avnet's U.S. based employees and the Company will continue to deduct the normal medical and dental employee contributions based on the cost sharing arrangement in place from time to time through August 31, 2006. Thereafter, Cole will become eligible for normal COBRA medical/dental coverage continuation and Avnet will reimburse Cole for the entire cost of Cole's medical/dental premium until August 31, 2007.

- e. Cole will be allowed to continue using the company-leased vehicle assigned to Cole until the lease termination on August 18, 2004 and Cole will be reimbursed for normal gas and maintenance expenses upon submission of a properly documented and approved expense report to Neil Taylor, Avnet's Vice President and Deputy General Counsel. Thereafter, the Company will either extend the term of the car lease to the Effective Date or, in lieu of a leased automobile, pay Cole a car allowance of \$1,200 per month through the Effective Date.
  - f. The balance of all authorized but unissued shares of restricted stock will be awarded to Cole annually until all shares have been issued.
  - g. Cole will be allowed to participate in the company's executive health improvement program (EHIP) in 2002, 2004 and 2006 and Avnet will gift Cole the desktop computer currently in his home office.
  - h. Cole is currently vested in the Executive Officers' Supplemental Life Insurance and Retirement Benefits Plan and you will receive credit for 100% of a normal benefit based on employment through August 31, 2006 at the average of the highest two years compensation rate of \$166,000 per year. This is a non-forfeitable benefit; and in the event you pass away after your employment terminates and before the benefit commences, it will be paid to your surviving spouse and/or estate.
  - i. All existing stock options continue to vest during your employment and can be exercised at any time up until 90 days after your retirement (by November 30, 2006), with the exception of your September 27, 2001 stock option grant (1999 stock option plan) which continues to vest and will remain exercisable for up to five years after retirement, but in any event, not longer than 10 years after the grant date. Cole will be required to sign a two-year non-compete agreement to preserve this entitlement.
  - j. Cole currently has a \$15,000 salary advance outstanding. This advance will be forgiven in exchange for vacation time accrued while employed in Great Neck, NY with Avnet. The forgiveness of this advance will be treated as imputed income and will appear on Cole's 2002 W-2 statement.
  - k. Cole will be allowed an allowance of up to \$1,500 with which to do financial planning in preparation for retirement. This expense will be reimbursed upon approval by Cole's current supervisor, Raymond Sadowski.
  - l. If Cole should die prior to all payments having been made, the balance of unpaid payments will be payable to his estate.
3. Cole acknowledges that the consideration described in paragraph 2 is more than the Company is required to pay under its customary policies and procedures. In addition, Cole understands that after the Effective Date, he will not accrue any further benefits under any of the Company's applicable plans.
4. Cole understands and agrees that the payments and benefits described in this Agreement are all Cole is entitled to receive from the Company with respect to his employment and/or his separation from employment with the Company, except for his vested rights in the Avnet Pension, 401(k), and Executive Officers' Supplemental Life Insurance and Retirement Benefits Plans (collectively, the "Plans").

5. Cole agrees, except for his vested rights in the Plans, to release, discharge, indemnify and hold harmless the Company and its officers, directors, employees, stockholders, agents, parent companies, subsidiaries, affiliates, successors and assigns from any and all actions, causes of action, contracts, claims, demands and liabilities whatsoever, whether known or unknown, in connection with his employment with the Company, and the termination of that employment, which Cole had, now has, or may hereafter have by reason of any act, omission, occurrence, practice or other matter through and including the date of this Agreement, including, without limitation, any claim for unpaid wages, back pay, commissions, vacation pay, severance or other compensation. This includes a release of any rights or claims pursuant to any federal, state or local laws, executive orders or regulations, including, without limitation, the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, Title VII of the Civil Rights Act of 1964, the Equal Pay Act, the Fair Labor Standards Act, the American with Disabilities Act, the Rehabilitation Act of 1973, the Family and Medical Leave Act, and claims for wrongful discharge or any common law claims.
  6. This Agreement shall not be construed as an admission of liability by the Company and shall not be construed as an admission that Cole has any rights whatsoever against the Company, except as set forth in this Agreement.
  7. Cole acknowledges that he has been given a period of forty-five (45) days to review and consider this Agreement before signing it. Cole understands that he may use as much of this forty-five (45) day period as he wishes prior to signing.
  8. Cole acknowledges and understands that he has had the right and opportunity to discuss all aspects of this Agreement with his private attorney and that he has been strongly encouraged to do so before signing this Agreement. Cole represents that he has carefully read and fully understands all of the provisions of this Agreement, and that he is voluntarily entering into this Agreement.
  9. Cole may revoke this Agreement within seven (7) days of signing it. Revocation can be made by delivering a written notice of revocation to:  
  
Neil Taylor  
Vice President and Deputy General Counsel  
Avnet, Inc.  
2211 S. 47th St.  
Phoenix, AZ 85034
- For this revocation to be effective, written notice must be received by Neil Taylor no later than the close of business on the seventh day after Cole signs this Agreement. If Cole revokes this Agreement, it will not become effective or enforceable and Cole will not receive the benefits described in paragraph 2 above.
10. It is expressly understood that there is no other agreement or understanding between Cole and the Company, except the Confidentiality and Development Agreement, pertaining to the termination of Cole's employment with the Company or the Company's obligations to Cole with respect to such termination, except as set forth in this Agreement.

11. Any controversy or claim arising out of or relating to Cole's employment with the Company, the termination of such employment, this Agreement, or the breach thereof, shall be settled by arbitration in accordance with the commercial rules of the American Arbitration Association before a panel of three arbitrators in or near the city where Cole resides. Cole and the Company agree that any judgment upon any award rendered by the arbitrators may be entered in any court having jurisdiction thereof.
12. If any provision of this Agreement shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

PLEASE READ CAREFULLY. Carefully consider all provisions of this Agreement before signing it. THIS AGREEMENT INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS.

/s/ John Cole

-----  
John Cole

AVNET, INC.

By /s/ Raymond Sadowski

-----  
Raymond Sadowski  
Senior Vice President & Chief Financial Officer

THIRD AMENDMENT TO CREDIT AGREEMENT

THIS THIRD AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), dated as of November 23, 2002, is entered into by and among AVNET, INC., a New York corporation ("Avnet"), the lenders party to the Credit Agreement referred to below (each a "Lender" and, collectively, the "Lenders") and BANK OF AMERICA, N.A., as administrative agent for itself and the other Lenders (in such capacity, the "Administrative Agent").

RECITALS

A. Avnet, the Lenders and the Administrative Agent are parties to that certain Credit Agreement (Multi-Year) dated as of October 25, 2001, as amended or modified by that First Amendment to Credit Agreement (Multi-Year) dated as of March 29, 2002, that Second Amendment to Credit Agreement (Multi-Year) dated as of October 10, 2002, and that certain letter agreement dated as of November 8, 2002 among Avnet, the Administrative Agent and Lenders (as so amended or modified, the "Credit Agreement"), pursuant to which the Administrative Agent and the Lenders have extended certain credit facilities to Avnet and certain of its Subsidiaries.

B. Avnet has requested that the Administrative Agent and the Lenders agree to certain amendments of the Credit Agreement.

C. The Administrative Agent and the Lenders are willing to amend the Credit Agreement subject to the terms and conditions of this Amendment.

NOW, THEREFORE, for valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Defined Terms. Unless otherwise defined herein, capitalized terms used herein shall have the meanings, if any, assigned to such terms in the Credit Agreement as amended hereby.

2. Amendments to Credit Agreement. The Credit Agreement shall be amended as follows, effective as of the Effective Date:

(a) Section 1.01 of the Credit Agreement shall be amended as follows:

(i) By inserting the following additional defined terms in the proper alphabetical order:

"Administrative Agent Advance" has the meaning set forth in Section 2.01(b).

"Receivables Intercreditor Agreement" means that certain Intercreditor Agreement by and among the Administrative Agent, each financial institution party thereto and Bank One NA, as "Receivables Agent", in substantially the form approved by the Required Lenders.

(ii) By amending and restating the following defined terms in their entirety as follows:

"Avnet Belgium" means, collectively, Avnet Europe CVA, a Belgian stock limited partnership, and any successor thereto (including any Person at any time acquiring all or substantially all of the business or assets of Avnet Europe CVA), together with such other Foreign Subsidiaries of Avnet, that from time to time act as commissionaires or agents for undisclosed principals in respect of inventory of (including inventory originating through or from) Avnet Europe CVA and have been requested by the Administrative Agent, including at the request of the Required Lenders, to provide Collateral Documents.

"Permitted Securitization Refinancing" means a Permitted Securitization (a) the documents of which provide for no Unwind Event based on Debt Ratings, other than as permitted by Section 6.21(a), and which do not otherwise contravene or result in any breach, Default or Event of Default under the Loan Documents; (b) in connection with which the owner and holder of the stock of the applicable Securitization Subsidiary (together with any other Affiliate of Avnet that may directly hold any Investment in such Securitization Subsidiary) has pledged all such Investments to the Administrative Agent as additional Effective Collateral; and (c) having a maximum availability (based upon Attributable Indebtedness) of not less than \$350,000,000.

"Trigger Event" means the occurrence of any of the following on or after the Second Amendment Date: (i) the failure, for whatever reason, to consummate a Permitted Capital Market Transaction on or before December 15, 2002; (ii) the establishment of a Debt Rating by Moody's of Ba1 or lower or by S&P of BB+ or lower or either such rating agency shall withdraw its Debt Rating; or (iii) the day immediately following the occurrence of an Unwind (other than an Unwind in connection with which Avnet simultaneously consummates and enters into a Permitted Securitization Refinancing) arrives.

(iii) At the definition of "Loan Documents," by deleting the word "and" at the end of clause (viii), deleting the period at the end of clause (ix), inserting a comma at the end of clause (ix), and inserting the following "(x) the Receivables Intercreditor Agreement, and (xi) any other document or agreement now or hereafter executed and delivered pursuant to this Agreement and reciting that it is intended to be a "Loan Document" for purposes hereof."

(iv) At the definition of "Springing Lien Assets," by amending and restating clause (b) and the text immediately following such clause as follows: "(b) subject to such exceptions as the Administrative Agent may in its discretion agree, in respect of Avnet Belgium, (i) all inventory and work in process, and (ii) all accounts and other rights to payment; but not including Non-Springing Lien Collateral."

(b) Section 2.01 of the Credit Agreement shall be amended as

follows:

(i) by inserting "(a)" after the heading "Committed Loans."

(ii) by adding the following after Section 2.01(a):

"(b) The Administrative Agent is hereby authorized by the Borrower and the Lenders, from time to time in the Administrative Agent's sole discretion, to make Base Rate Loans to the Borrower on behalf of the Lenders which the Administrative Agent, in its reasonable business judgment, deems necessary or desirable (1) to Perfect, preserve or protect the Collateral, or any portion thereof, (2) to enhance the likelihood of, or maximize the amount of, the repayment of the Loans and other Obligations, or (3) to pay any other amount chargeable to the Borrower pursuant to the terms of this Agreement (together, "Administrative Agent Advances"), the granting of any such Administrative Agent Advance to be subject to the provisos of Section 2.01(a)(i) and Section 2.01(a)(ii); provided, however, that the Required Lenders may at any time revoke the Administrative Agent's authorization contained in this Section 2.01(b) to make Administrative Agent Advances, any such revocation to be in writing and to become effective prospectively, upon receipt thereof by the Administrative Agent. The Administrative Agent Advances shall be repayable on demand, shall constitute Committed Loans hereunder, and shall bear interest at the Base Rate plus the Applicable Rate applicable to Committed Loans from time to time. The Administrative Agent shall notify each Lender in writing of each such Administrative Agent Advance."

(c) Article V of the Credit Agreement shall be further amended by adding the following at the end thereof:

"5.22 SECURITIZATION SUBSIDIARY. Other than such capital stock and promissory notes, true and correct copies of which have been delivered to the Administrative Agent on or before November 25, 2002, there exists no document or instrument evidencing any Investment by Avnet in any Securitization Subsidiary. As of November 25, 2002, no Securitization Subsidiary is directly or indirectly liable for any of the Obligations."

(d) Section 6.21(a) of the Credit Agreement shall be amended at clause (i) thereof by inserting after the phrase "relating to the Debt Rating of Avnet" the following: "(other than an Unwind Event based upon withdrawal of any such Debt Rating)".

(e) Section 6.21(a) of the Credit Agreement shall be further amended by deleting clause (ii) thereof and inserting in lieu thereof the following:

"(ii) No later than 60 days after the Second Amendment Date, Avnet shall execute and deliver to the Administrative Agent any and all pledge agreements and other documents and agreements (including legal



opinions satisfactory to the Administrative Agent) as may be necessary in the discretion of the Administrative Agent to create a Perfected security interest in and a pledge of (A) any and all capital stock issued by any Securitization Subsidiary (including Avnet Receivables Corporation, if then existing), and (B) any promissory note or other evidence of indebtedness issued by any such Securitization Subsidiary in favor of Avnet, each of which shall immediately thereupon become Effective Collateral."

(f) Section 6.21(b) of the Credit Agreement shall be amended and restated in its entirety as follows:

"(b) Avnet shall execute and deliver or cause to be executed and delivered into Document Escrow, by no later than November 25, 2002, all Collateral Documents that in the view of the Administrative Agent are necessary or appropriate to establish Springing Liens on all Springing Lien Assets (other than (i) in respect of Springing Lien Assets of Avnet Belgium, which shall be executed and delivered no later than December 10, 2002, and (ii) those Collateral Documents listed on Schedule 6.21, which shall be executed and delivered no later than December 10, 2002). The Springing Lien Escrow Agreement shall be executed and delivered by Avnet no later than November 25, 2002. Notwithstanding the foregoing, if there shall have occurred any Trigger Event prior to any such delivery date, each of the foregoing Collateral Documents not yet delivered into Document Escrow shall be executed and delivered immediately to the Administrative Agent, and shall immediately thereupon result in Effective Collateral. On November 25, 2002 and December 10, 2002, Avnet shall pay all Attorney Costs of the Administrative Agent to the extent invoiced prior to such dates, plus, in the latter case, such additional Attorney Costs as shall constitute the Administrative Agent's reasonable estimate of Attorney Costs incurred or to be incurred by it through the completion of the post-closing matters contemplated by the Second Amendment (provided that such estimate shall not thereafter preclude a final settling of accounts between Avnet and the Administrative Agent)."

(g) Section 6.21 of the Credit Agreement shall be further amended by adding at the end thereof the following:

"(c) Avnet shall execute and deliver or cause to be executed and delivered into Document Escrow (together with such ancillary documents and agreements, or amendments thereto, and legal opinions as may be specified by the Administrative Agent in respect thereof): (i) as soon as practicable following the restructuring of the ownership of Avnet Components Israel Ltd. and the receipt of consent to the pledge of the shares by Avnet from the remaining minority shareholders thereof, share certificates representing 65% of the issued and outstanding capital stock of Avnet Components Israel Ltd., to be pledged under the Foreign Stock Pledge Agreement; and (ii) as soon as practicable following the

restructuring of the ownership of Avnet Max Limited, documentation satisfactory to the Administrative Agent pledging 65% of the issued and outstanding uncertificated shares of Avnet Max Limited under the terms of the Foreign Stock Pledge Agreement."

(h) Article VI of the Credit Agreement shall be further amended by adding the following at the end thereof:

"6.26 WAREHOUSE LOCATIONS. At all times from and after November 25, 2002, neither Avnet nor any of its Subsidiaries shall permit or suffer any inventory to be located at (i) the warehouse located at or near 953 Westgate Drive, St. Paul, MN, or (ii) the office space located at or near 3011 S. 52nd Street, Tempe, AZ, unless Avnet promptly notifies the Administrative Agent of such fact and promptly provides such consents and estoppels of landlords and others having an interest in such real property, together with such other documents and agreements, as the Administrative Agent may require. All such consents, estoppels, other documents and agreements so provided shall be immediately delivered into Document Escrow, provided that no Trigger Event shall have occurred. If there shall have occurred any Trigger Event prior to any such delivery date, each of the foregoing documents not yet delivered into Document Escrow shall be executed and delivered immediately to the Administrative Agent, and shall immediately thereupon result in Effective Collateral."

(i) Section 7.01 of the Credit Agreement shall be amended by deleting the word "or" at the end of clause (q)(ii), deleting the period after clause (r) inserting "; or" after clause (r) and adding the following:

"(s) Any "Financial Institution" or the "Receivables Agent", as defined therein, party to or bound by the Receivables Intercreditor Agreement shall fail to perform or observe in any material respect any term, covenant, provision or agreement required to be performed by such Financial Institution or Receivables Agent under the Receivables Intercreditor Agreement; or any representation, warranty, certification or statement made by any Financial Institution or Receivables Agent party to or bound by the Receivables Intercreditor Agreement in the Receivables Intercreditor Agreement or in any other document delivered pursuant thereto shall to prove to have been incorrect in any material respect when made or deemed made; or the Receivables Intercreditor Agreement shall cease to be effective or to be the legally valid, binding, enforceable obligation of each Person party thereto or bound thereby; or any Financial Institution or the Receivables Agent shall directly or indirectly contest in any manner such effectiveness, validity, binding nature or enforceability."

(j) Section 8.02 of the Credit Agreement shall be amended and restated in its entirety as follows:

"8.02 DELEGATION OF DUTIES. The Administrative Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact, including, for the purposes of the Perfection of foreign (non-United States) Collateral, such sub-administrative agents or collateral agents as shall be deemed necessary by the Administrative Agent, and shall be entitled to advice of counsel and other consultants or experts concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects in the absence of gross negligence or willful misconduct. Any such agent, sub-agent or other Person retained or employed pursuant to this Section 8.02, shall have all the benefits and immunities provided to the Administrative Agent in this Article VIII with respect to any act taken or omissions suffered by such Person in connection herewith or therewith, as fully as if the term "Administrative Agent" as used in this Article VIII and in the definition of "Agent-Related Person" included such additional Persons with respect to such acts or omissions."

(k) Section 8.09 of the Credit Agreement shall be amended and restated in its entirety as follows:

"8.09 SUCCESSOR ADMINISTRATIVE AGENT. The Administrative Agent may resign as Administrative Agent upon 30 days' notice to the Lenders; provided that any such resignation by Bank of America shall also constitute its resignation as L/C Issuer, Swing Line Lender, and document escrow agent under the Document Escrow. If the Administrative Agent resigns under this Agreement, the Required Lenders shall appoint from among the Lenders a successor administrative agent for the Lenders which successor administrative agent shall be consented to by Avnet at all times other than during the existence of an Event of Default (which consent of Avnet shall not be unreasonably withheld or delayed). If no successor administrative agent is appointed prior to the effective date of the resignation of the Administrative Agent, the Administrative Agent may appoint, after consulting with the Lenders and Avnet, a successor administrative agent from among the Lenders. Upon the acceptance of its appointment as successor administrative agent hereunder, the Person acting as such successor administrative agent shall succeed to all the rights, powers and duties of the retiring Administrative Agent, L/C Issuer and Swing Line Lender including those under the Document Escrow and the Receivables Intercreditor Agreement and the respective terms "Administrative Agent," "L/C Issuer" and "Swing Line Lender" shall mean such successor administrative agent, letter of credit issuer and swing line lender, and the retiring Administrative Agent's appointment, powers and duties as Administrative Agent shall be terminated and the retiring L/C Issuer's and Swing Line Lender's rights, powers and duties as such shall be terminated (provided that the retiring Administrative Agent, L/C Issuer or Swing Line Lender, as the case may be, shall retain all rights

then existing under Sections 8.07 and 9.05), without any other or further act or deed on the part of such retiring L/C Issuer or Swing Line Lender or any other Lender other than the obligation of the successor L/C Issuer to issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession. Immediately upon retiring as Administrative Agent, the Administrative Agent shall no longer have any responsibilities under any Collateral Documents or the Receivables Intercreditor Agreement and any successor administrative agent shall immediately be deemed to undertake all responsibilities related to the Collateral Documents and the Receivables Intercreditor Agreement upon appointment. Notwithstanding the foregoing, after any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article VIII and Sections 9.04 and 9.05 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. If no successor administrative agent has accepted appointment as Administrative Agent by the date which is 30 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above, in which event the Lenders shall be deemed to have assumed all such rights, powers and duties of the Administrative Agent as aforesaid."

(l) Section 8.11(a) of the Credit Agreement shall be amended and restated in its entirety as follows:

"8.11 COLLATERAL MATTERS.

(a) Each Lender authorizes and directs the Administrative Agent to enter into the Collateral Documents (including as document escrow agent under the Springing Lien Escrow Agreement) and agrees that any action taken by the Administrative Agent concerning any Collateral (with the consent or at the request of the Required Lenders or in accordance with any Loan Document), that the Administrative Agent's exercise of powers concerning the Collateral in any Loan Document, and that all other reasonably incidental powers, are authorized and binding upon all Lenders. Each Lender authorizes and directs the Administrative Agent to enter into and to perform the duties and obligations of the "Lender Agent" under the Receivables Intercreditor Agreement."

(m) Schedule 1.01(n) of the Credit Agreement shall be amended by deleting the entry labeled "Sterling Partners, Inc."

(n) Schedule 5.09 of the Credit Agreement shall be amended by (i) deleting the entries labeled "Sterling Partners, Inc.", "Avnet Europe NV/SA", "Avnet-Mercuries Company Limited", "Avnet Pacific (NZ) Ltd.", and "Kent Components de Mexico, S.A. de

C.V." and (ii) substituting those entries set forth on Schedule I hereto for their counterparts in such Schedule 5.09.

(o) Schedule 5.20 of the Credit Agreement shall be amended and restated in its entirety in the form attached hereto as Schedule II.

(p) Schedule 6.21 of the Credit Agreement shall be amended and restated in its entirety in the form attached hereto as Schedule III.

(q) The Credit Agreement shall be further amended by replacing Exhibit K, with the form attached hereto as Exhibit A.

3. Representations and Warranties. Avnet hereby represents and warrants to the Administrative Agent and the Lenders as follows:

(a) No Default or Event of Default has occurred and is continuing, either immediately prior to or after giving effect to this Amendment.

(b) The execution, delivery and performance by Avnet of this Amendment have been duly authorized by all necessary corporate and other action and do not and will not require any registration with, consent or approval of, notice to or action by, any Person (including any Governmental Authority) in order to be effective and enforceable. The Credit Agreement as amended by this Amendment constitutes the legal, valid and binding obligations of Avnet, enforceable against it in accordance with its respective terms, without defense, counterclaim or offset.

(c) All representations and warranties of Avnet contained in Article V of the Credit Agreement as amended hereby are true and correct as of the Effective Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date.

(d) Avnet is entering into this Amendment on the basis of its own investigation and for its own reasons, without reliance upon the Administrative Agent, the Lenders or any other Person.

(e) As of the Effective Date, there are no Designated Borrowers under the Credit Agreement.

4. Effective Date. This Amendment will become effective as of the date shown first above, provided each of the following conditions precedent has been satisfied (the "Effective Date"):

(a) The Administrative Agent shall have received from each of Avnet and the Required Lenders a duly executed original (or, if elected by the Administrative Agent, an executed facsimile copy) counterpart to this Amendment.

(b) The Administrative Agent shall have received from the secretary or assistant secretary of Avnet a certificate providing satisfactory evidence of the authorization of

the execution, delivery and performance by Avnet of this Amendment and any other documents contemplated hereby.

(c) The Administrative Agent shall have received from Avnet a certificate executed by a Responsible Officer of Avnet, dated as of the Effective Date and certifying that (i) all representations and warranties contained herein are true and correct on and as of the Effective Date as though made on and as of such date and (ii) on and as of the Effective Date, no event has occurred which has or would reasonably be likely to have a material adverse effect on the business, assets, liabilities (actual or contingent), operations, condition (financial or otherwise) or prospects of Avnet or of Avnet and its Subsidiaries taken as a whole, or on the facts and information regarding Avnet and its Subsidiaries as represented as of the date hereof.

(d) The Administrative Agent shall have received satisfactory evidence that Avnet has paid (i) all Attorney Costs of the Administrative Agent to the extent invoiced prior to the Effective Date (including any previously invoiced and outstanding Attorney Costs that relate to services previously provided), plus such additional amounts of Attorney Costs as shall constitute the Administrative Agent's reasonable estimate of Attorney Costs incurred or to be incurred by it through the Effective Date (provided that such estimate shall not thereafter preclude a final settling of accounts between Avnet and the Administrative Agent) and (ii) all other reasonable out-of-pocket costs and expenses of the Administrative Agent in connection with the negotiation, preparation, execution and delivery of this Amendment and any other documents to be delivered in connection herewith.

(e) The Administrative Agent shall have received, in form and substance satisfactory to it, such additional approvals, consents, opinions, documents and other information as the Administrative Agent may request.

(f) The Effective Date shall have occurred no later than November 25, 2002.

For purposes of determining compliance with the conditions specified in this Section 4, each Lender that has executed this Amendment and delivered it to the Administrative Agent shall be deemed to have consented to, approved or accepted, or to be satisfied with, each document or other matter either sent, or made available for inspection, by the Administrative Agent to such Lender for consent, approval, acceptance or satisfaction, or required thereunder to be consented to or approved by or acceptable or satisfactory to such Lender.

5. Reservation of Rights. Avnet acknowledges and agrees that the execution and delivery by the Administrative Agent and the Required Lenders of this Amendment shall not (a) be deemed to create a course of dealing or otherwise obligate the Administrative Agent or any Lender to execute similar amendments under the same or similar circumstances in the future or (b) be deemed to create any implied waiver of any right or remedy of the Administrative Agent or any Lender with respect to any term or provision of any Loan Document.

#### 6. Miscellaneous.

(a) Except as herein expressly amended, all terms, covenants and provisions of the Credit Agreement are and shall remain in full force and effect and all references therein to such Credit Agreement shall henceforth refer to the Credit Agreement as amended by this

Amendment. This Amendment shall be deemed incorporated into, and a part of, the Credit Agreement. The Credit Agreement, as amended hereby, is hereby ratified by Avnet.

(b) This Amendment shall be binding upon and inure to the benefit of the parties hereto and thereto and their respective successors and assigns. No third party beneficiaries are intended in connection with this Amendment.

(c) THIS AMENDMENT IS SUBJECT TO THE PROVISIONS OF SECTIONS 9.19 AND 9.20 OF THE CREDIT AGREEMENT, THE PROVISIONS OF WHICH ARE BY THIS REFERENCE HEREBY INCORPORATED HEREIN IN FULL.

(d) This Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument. Each of the parties hereto understands and agrees that this document (and any other document required herein) may be delivered by any party thereto either in the form of an executed original or an executed original sent by facsimile transmission to be followed promptly by mailing of a hard copy original, and that receipt by the Administrative Agent of a facsimile transmitted document purportedly bearing the signature of a Lender or Avnet shall bind such Lender or Avnet, respectively, with the same force and effect as the delivery of a hard copy original. Any failure by the Administrative Agent to receive the hard copy executed original of such document shall not diminish the binding effect of receipt of the facsimile transmitted executed original of such document of the party whose hard copy page was not received by the Administrative Agent.

(e) This Amendment, together with the Credit Agreement, contains the entire and exclusive agreement of the parties hereto with reference to the matters discussed herein and therein. This Amendment supersedes all prior drafts and communications with respect thereto. This Amendment may not be amended except in accordance with the provisions of Section 9.01 of the Credit Agreement.

(f) If any term or provision of this Amendment shall be deemed prohibited by or invalid under any applicable law, such provision shall be invalidated without affecting the remaining provisions of this Amendment or the Credit Agreement, respectively.

(g) Avnet covenants to pay to or reimburse the Administrative Agent, upon demand, for all out-of-pocket costs and expenses incurred in connection with the development, preparation, negotiation, execution and delivery of this Amendment and the other documents contemplated hereby.

(h) This Amendment shall constitute a Loan Document.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Amendment as of the date first above written.

AVNET, INC.

By: /s/ Raymond Sadowski

-----

Name: Raymond Sadowski

-----

Title: Senior Vice President and Chief Financial

-----

Officer

-----



BANK OF AMERICA, N.A., as the  
Administrative Agent, a Lender, the L/C Issuer and  
the Swing Line Lender

By: /s/ Sugeet Manchanda  
-----

Name: Sugeet Manchanda  
-----

Title: Principal  
-----

S-2--2

ABN AMRO BANK N.V., as a Lender

By: /s/ Maria Vickroy-Peralta

-----

Name: Maria Vickroy-Peralta

-----

Title: Senior Vice President

-----

By: /s/ Peter Hsu

-----

Name: Peter Hsu

-----

Title: Vice President

-----

THE BANK OF NOVA SCOTIA, as a Lender

By: /s/ Kemp Leonard

-----

Name: Kemp Leonard

-----

Title: Director

-----

S-2--4

BANK OF TOKYO-MITSUBISHI TRUST  
COMPANY, as a Lender

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

S-2--5

BANK ONE, N.A., as a Lender

By: /s/ Joseph R. Perdenza

-----

Name: Joseph R. Perdenza

-----

Title: Director

-----

S-2--6

CREDIT SUISSE FIRST BOSTON, as a Lender

By: /s/ Robert Hetu

-----

Name: Robert Hetu

-----

Title: Director

-----

By: /s/ Guy M. Baron

-----

Name: Guy M. Baron

-----

Title: Associate

-----

S-2--7

WACHOVIA BANK, NATIONAL  
ASSOCIATION, as a Lender

By: /s/ George L. Woolsey

Name: George L. Woolsey

Title: Vice President

S-2--8

FLEET NATIONAL BANK, as a Lender

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_



KBC BANK, N.V., as a Lender

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

NATEXIS BANQUES POPULAIRES, as a  
Lender

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

THE NORTHERN TRUST COMPANY, as a  
Lender

By: /s/ Eric Dybing  
-----

Name: Eric Dybing  
-----

Title: Second Vice President  
-----

S-2--12

SKANDINAVISKA ENSKILDA BANKEN AB  
(PUBL), as a Lender

By: /s/ Camilla Akerman  
-----

Name: Camilla Akerman  
-----

Title: Account Manager  
-----

S-2--13

STANDARD CHARTERED BANK, as a Lender

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

UNICREDITO ITALIANO, NEW YORK  
BRANCH, as a Lender

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

FOURTH AMENDMENT TO CREDIT AGREEMENT

THIS FOURTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), dated as of December 9, 2002, is entered into by and among AVNET, INC., a New York corporation ("Avnet"), the lenders party to the Credit Agreement referred to below (each a "Lender" and, collectively, the "Lenders") and BANK OF AMERICA, N.A., as administrative agent for itself and the other Lenders (in such capacity, the "Administrative Agent").

RECITALS

A. Avnet, the Lenders and the Administrative Agent are parties to that certain Credit Agreement (Multi-Year) dated as of October 25, 2001, as amended or modified by that First Amendment to Credit Agreement (Multi-Year) dated as of March 29, 2002, that Second Amendment to Credit Agreement (Multi-Year) dated as of October 10, 2002, that certain letter agreement dated as of November 8, 2002, and that Third Amendment to Credit Agreement dated as of November 23, 2002, among Avnet, the Administrative Agent and Lenders (as so amended or modified, the "Credit Agreement"), pursuant to which the Administrative Agent and the Lenders have extended certain credit facilities to Avnet and certain of its Subsidiaries.

B. Avnet has requested that the Administrative Agent and the Lenders agree to certain amendments of the Credit Agreement.

C. The Administrative Agent and the Lenders are willing to amend the Credit Agreement subject to the terms and conditions of this Amendment.

NOW, THEREFORE, for valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Defined Terms. Unless otherwise defined herein, capitalized terms used herein shall have the meanings, if any, assigned to such terms in the Credit Agreement as amended hereby.

2. Amendments to Credit Agreement. The Credit Agreement shall be amended as follows, effective as of the Effective Date:

(a) Section 1.01 of the Credit Agreement shall be amended by amending and restating the following defined term in its entirety:

"Trigger Event" means the occurrence of any of the following on or after the Second Amendment Date: (i) (A) the failure, for whatever reason, to consummate a Permitted Capital Markets Transaction on or before December 15, 2002; or (B) any Borrower submits on any date prior to December 13, 2002, a Request for Credit Extension at any time prior to the date all documents and agreements are delivered and all other acts and deeds are accomplished as required by Sections 6.21(a) and Section 6.21(b); (ii) the establishment of a Debt Rating by Moody's of Ba1 or lower or by S&P of BB+ or lower or either such rating agency shall withdraw its Debt Rating; or (iii) the day immediately following the occurrence of an Unwind (other than an Unwind in connection with which

Avnet simultaneously consummates and enters into a Permitted Securitization Refinancing) arrives.

(b) Section 6.21(a)(i) of the Credit Agreement shall be amended by deleting the phrase "No later than 60 days after the Second Amendment Date" and replacing it with "On or before December 12, 2002".

(c) Section 6.21(a)(ii) of the Credit Agreement shall be amended by deleting the phrase "No later than 60 days after the Second Amendment Date" and replacing it with "On or before December 12, 2002".

(d) Section 6.21(b) of the Credit Agreement shall be amended by deleting each occurrence of the date "December 10, 2002" and replacing each such occurrence with "December 12, 2002".

3. Representations and Warranties. Avnet hereby represents and warrants to the Administrative Agent and the Lenders as follows:

(a) No Default or Event of Default has occurred and is continuing, either immediately prior to or after giving effect to this Amendment.

(b) The execution, delivery and performance by Avnet of this Amendment have been duly authorized by all necessary corporate and other action and do not and will not require any registration with, consent or approval of, notice to or action by, any Person (including any Governmental Authority) in order to be effective and enforceable. The Credit Agreement as amended by this Amendment constitutes the legal, valid and binding obligations of Avnet, enforceable against it in accordance with its respective terms, without defense, counterclaim or offset.

(c) All representations and warranties of Avnet contained in Article V of the Credit Agreement as amended hereby are true and correct as of the Effective Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date.

(d) Avnet is entering into this Amendment on the basis of its own investigation and for its own reasons, without reliance upon the Administrative Agent, the Lenders or any other Person.

(e) As of the Effective Date, there are no Designated Borrowers under the Credit Agreement.

4. Effective Date. This Amendment will become effective as of the date shown first above, provided each of the following conditions precedent has been satisfied (the "Effective Date"):

(a) The Administrative Agent shall have received from each of Avnet and the Required Lenders a duly executed original (or, if elected by the Administrative Agent, an executed facsimile copy) counterpart to this Amendment.



(b) The Administrative Agent shall have received from the secretary or assistant secretary of Avnet a certificate providing satisfactory evidence of the authorization of the execution, delivery and performance by Avnet of this Amendment and any other documents contemplated hereby.

(c) The Administrative Agent shall have received from Avnet a certificate executed by a Responsible Officer of Avnet, dated as of the Effective Date and certifying that (i) all representations and warranties contained herein are true and correct on and as of the Effective Date as though made on and as of such date and (ii) on and as of the Effective Date, no event has occurred which has or would reasonably be likely to have a material adverse effect on the business, assets, liabilities (actual or contingent), operations, condition (financial or otherwise) or prospects of Avnet or of Avnet and its Subsidiaries taken as a whole, or on the facts and information regarding Avnet and its Subsidiaries as represented as of the date hereof.

(d) The Administrative Agent shall have received, in form and substance satisfactory to it, such additional approvals, consents, opinions, documents and other information as the Administrative Agent may request.

(e) The Effective Date shall have occurred no later than December 9, 2002.

For purposes of determining compliance with the conditions specified in this Section 4, each Lender that has executed this Amendment and delivered it to the Administrative Agent shall be deemed to have consented to, approved or accepted, or to be satisfied with, each document or other matter either sent, or made available for inspection, by the Administrative Agent to such Lender for consent, approval, acceptance or satisfaction, or required thereunder to be consented to or approved by or acceptable or satisfactory to such Lender.

5. Reservation of Rights. Avnet acknowledges and agrees that the execution and delivery by the Administrative Agent and the Required Lenders of this Amendment shall not (a) be deemed to create a course of dealing or otherwise obligate the Administrative Agent or any Lender to execute similar amendments under the same or similar circumstances in the future or (b) be deemed to create any implied waiver of any right or remedy of the Administrative Agent or any Lender with respect to any term or provision of any Loan Document.

#### 6. Miscellaneous.

(a) Except as herein expressly amended, all terms, covenants and provisions of the Credit Agreement are and shall remain in full force and effect and all references therein to such Credit Agreement shall henceforth refer to the Credit Agreement as amended by this Amendment. This Amendment shall be deemed incorporated into, and a part of, the Credit Agreement. The Credit Agreement, as amended hereby, is hereby ratified by Avnet.

(b) This Amendment shall be binding upon and inure to the benefit of the parties hereto and thereto and their respective successors and assigns. No third party beneficiaries are intended in connection with this Amendment.

(c) THIS AMENDMENT IS SUBJECT TO THE PROVISIONS OF SECTIONS 9.19 AND 9.20 OF THE CREDIT AGREEMENT, THE PROVISIONS OF WHICH ARE BY THIS REFERENCE HEREBY INCORPORATED HEREIN IN FULL.

(d) This Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument. Each of the parties hereto understands and agrees that this document (and any other document required herein) may be delivered by any party thereto either in the form of an executed original or an executed original sent by facsimile transmission to be followed promptly by mailing of a hard copy original, and that receipt by the Administrative Agent of a facsimile transmitted document purportedly bearing the signature of a Lender or Avnet shall bind such Lender or Avnet, respectively, with the same force and effect as the delivery of a hard copy original. Any failure by the Administrative Agent to receive the hard copy executed original of such document shall not diminish the binding effect of receipt of the facsimile transmitted executed original of such document of the party whose hard copy page was not received by the Administrative Agent.

(e) This Amendment, together with the Credit Agreement, contains the entire and exclusive agreement of the parties hereto with reference to the matters discussed herein and therein. This Amendment supersedes all prior drafts and communications with respect thereto. This Amendment may not be amended except in accordance with the provisions of Section 9.01 of the Credit Agreement.

(f) If any term or provision of this Amendment shall be deemed prohibited by or invalid under any applicable law, such provision shall be invalidated without affecting the remaining provisions of this Amendment or the Credit Agreement, respectively.

(g) Avnet covenants to pay to or reimburse the Administrative Agent, upon demand, for all out-of-pocket costs and expenses incurred in connection with the development, preparation, negotiation, execution and delivery of this Amendment and the other documents contemplated hereby.

(h) This Amendment shall constitute a Loan Document.

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Amendment as of the date first above written.

AVNET, INC.

By: /s/ Raymond Sadowski

-----

Name: Raymond Sadowski

-----

Title: Senior Vice President and Chief  
Financial Officer

Signature Page for the Fourth Amendment to Credit Agreement

S-1

BANK OF AMERICA, N.A., as the  
Administrative Agent, a Lender, the L/C  
Issuer and the Swing Line Lender

By: /s/ Sugeet Manchanda

-----

Name: Sugeet Manchanda

-----

Title: Principal

-----

Signature Page for the Fourth Amendment to Credit Agreement

ABN AMRO BANK N.V., as a Lender

By: /s/ Maria Vickroy-Peralta

-----

Name: Maria Vickroy-Peralta

-----

Title: Senior Vice President

-----

By: /s/ Mathew Harvey

-----

Name: Mathew Harvey

-----

Title: Senior Vice President

-----

Signature Page for the Fourth Amendment to Credit Agreement

THE BANK OF NOVA SCOTIA, as a Lender

By: /s/ Kemp Leonard  
-----

Name: Kemp Leonard  
-----

Title: Director  
-----

Signature Page for the Fourth Amendment to Credit Agreement

BANK OF TOKYO-MITSUBISHI  
TRUST COMPANY, as a Lender

By: -----

Name: -----

Title: -----

Signature Page for the Fourth Amendment to Credit Agreement

BANK ONE, N.A., as a Lender

By: /s/ Joseph R. Perdenza  
-----

Name: Joseph R. Perdenza  
-----

Title: Director  
-----

Signature Page for the Fourth Amendment to Credit Agreement



CREDIT SUISSE FIRST BOSTON, as a Lender

By: /s/ Robert Hetu  
-----

Name: Robert Hetu  
-----

Title: Director  
-----

By: /s/ Guy M. Baron  
-----

Name: Guy M. Baron  
-----

Title: Associate  
-----

Signature Page for the Fourth Amendment to Credit Agreement

WACHOVIA BANK, NATIONAL ASSOCIATION,  
as a Lender

By: /s/ Jorge A. Gonzalez  
-----

Name: Jorge A. Gonzalez  
-----

Title: Managing Director  
-----

Signature Page for the Fourth Amendment to Credit Agreement

FLEET NATIONAL BANK, as a Lender

By: -----

Name: -----

Title: -----

Signature Page for the Fourth Amendment to Credit Agreement

KBC BANK, N.V., as a Lender

By: -----

Name: -----

Title: -----

By: -----

Name: -----

Title: -----

Signature Page for the Fourth Amendment to Credit Agreement

NATEXIS BANQUES POPULAIRES, as a Lender

By: /s/ Pieter J. van Tulder  
-----

Name: Pieter J. van Tulder  
-----

Title: Vice President and Manager  
Multinational  
-----

By: /s/ Nicolat Regent  
-----

Name: Nicolat Regent  
-----

Title: VP Multinational  
-----

Signature Page for the Fourth Amendment to Credit Agreement

THE NORTHERN TRUST COMPANY, as a Lender

By: /s/ Eric Dybing  
-----

Name: Eric Dybing  
-----

Title: Second Vice President  
-----

Signature Page for the Fourth Amendment to Credit Agreement

SKANDINAVISKA ENSKILDA BANKEN AB (PUBL),  
as a Lender

By: .....

Name: .....

Title: .....

Signature Page for the Fourth Amendment to Credit Agreement

By: /s/ Mary Machado-Schammel  
-----

Name: Mary Machado-Schammel  
-----

Title: Sr. Vice President  
-----

By: /s/ Andrew Y. Ng  
-----

Name: Andrew Y. Ng  
-----

Title: Vice President  
-----

Signature Page for the Fourth Amendment to Credit Agreement



UNICREDITO ITALIANO, NEW YORK BRANCH,  
as a Lender

By: .....

Name: .....

Title: .....

By: .....

Name: .....

Title: .....

Signature Page for the Fourth Amendment to Credit Agreement

FIFTH AMENDMENT TO CREDIT AGREEMENT

THIS FIFTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), dated as of December 12, 2002, is entered into by and among AVNET, INC., a New York corporation ("Avnet"), the lenders party to the Credit Agreement referred to below (each a "Lender" and, collectively, the "Lenders") and BANK OF AMERICA, N.A., as administrative agent for itself and the other Lenders (in such capacity, the "Administrative Agent").

RECITALS

A. Avnet, the Lenders and the Administrative Agent are parties to that certain Credit Agreement (Multi-Year) dated as of October 25, 2001, as amended or modified by that First Amendment to Credit Agreement (Multi-Year) dated as of March 29, 2002, that Second Amendment to Credit Agreement (Multi-Year) dated as of October 10, 2002, that certain letter agreement dated as of November 8, 2002, that Third Amendment to Credit Agreement dated as of November 23, 2002, and that Fourth Amendment to Credit Agreement dated as of December 9, 2002 (as so amended or modified, the "Credit Agreement"), pursuant to which the Administrative Agent and the Lenders have extended certain credit facilities to Avnet and certain of its Subsidiaries.

B. Avnet has requested that the Administrative Agent and the Lenders agree to certain amendments of the Credit Agreement.

C. The Administrative Agent and the Lenders are willing to amend the Credit Agreement subject to the terms and conditions of this Amendment.

NOW, THEREFORE, for valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Defined Terms. Unless otherwise defined herein, capitalized terms used herein shall have the meanings, if any, assigned to such terms in the Credit Agreement as amended hereby.

2. Amendments to Credit Agreement. The Credit Agreement shall be amended as follows, effective as of the Effective Date:

(a) Section 1.01 of the Credit Agreement shall be amended as follows:

(i) By amending and restating the following defined term in its entirety:

"Foreign Stock Collateral" means, at any time, Collateral issued by any First Tier Foreign Subsidiary (other than any Dormant Subsidiary) and pledged to the Administrative Agent pursuant to the Foreign Stock Pledge Agreement.

(ii) By inserting the following additional defined term in the proper alphabetical order:

"EU Affiliate" means Banc of America Securities Limited, a limited liability company organized under the laws of England and Wales, and any successor thereto.

(b) Section 2.01(b) of the Credit Agreement shall be amended by inserting after the phrase "provided, however," the following: "that the aggregate amount of all Administrative Agent Advances outstanding at any time shall not exceed \$5,000,000; and provided further,".

(c) Article II of the Credit Agreement shall be further amended by adding the following at the end thereof:

"2.16 PARALLEL DEBT. Solely for purposes of ensuring and preserving the validity, effectiveness and enforceability of certain Collateral Documents relating to certain of Avnet's European Subsidiaries, Avnet shall owe to the EU Affiliate and to the Administrative Agent, as a separate and independent obligation, an amount equal to the Outstanding Amount of all Loans and L/C Obligations from time to time outstanding (such obligation, the "Parallel Obligation"); provided that (i) the Parallel Obligation shall not be in replacement of any Outstanding Amount owing to the Lenders, which shall continue to exist unaffected by the existence of the Parallel Obligation; (ii) any payment made to the Administrative Agent or any Lender in respect of any Outstanding Amount shall be deemed made also in respect of and shall to such extent be deemed to satisfy the Parallel Obligation; (iii) any payment made to or received by the EU Affiliate or the Administrative Agent in respect of the Parallel Obligation shall be immediately transferred to the Administrative Agent for the ratable benefit of the Lenders in accordance with the terms hereof, and shall be promptly applied to the then Outstanding Amount; and (iv) the EU Affiliate shall be entitled to the same rights and benefits as the Lenders pursuant to Article III in respect of the Parallel Obligation. For the avoidance of doubt, it is noted that security granted to the Administrative Agent or the EU Affiliate to secure the Parallel Obligation shall be granted to the Administrative Agent or the EU Affiliate, as the case may be, in its capacity as creditor (in its own name and behalf) of the Parallel Obligation. The Administrative Agent is hereby authorized to execute such documents and instruments with the EU Affiliate as may be necessary or appropriate in order to further effectuate the foregoing."

(d) Section 6.07 of the Credit Agreement shall be amended as

follows:

(i) By renumbering subsection (n) as subsection (o);  
and

(ii) By inserting the following as a new subsection  
(n):

"(n) With respect to any Foreign Subsidiary of Avnet party to any Collateral Document containing a prohibition on the incurrence of

Liens, such Liens on property of such Foreign Subsidiary as are specifically permitted under such prohibition;"

(e) Section 6.21(b) of the Credit Agreement shall be amended as follows:

(i) By inserting after the first occurrence of the phrase "Collateral Documents" the following: "(other than legal opinions, which are to be delivered directly to the Administrative Agent)";

(ii) By deleting the phrase "Schedule 6.21" and replacing it with "Schedule 6.21-1"; and

(iii) By inserting at the end of the first sentence thereof the following: "provided, however, that notwithstanding the foregoing, those Collateral Documents listed on Schedule 6.21-2 shall be executed and delivered no later than January 15, 2003".

(f) Section 6.21(c) of the Credit Agreement shall be amended by inserting at the end of the parenthetical clause therein the following: ", such legal opinions to be delivered directly to the Administrative Agent rather than into Document Escrow".

(g) Article VI of the Credit Agreement shall be further amended by adding the following at the end thereof:

"6.27 MODIFICATION OF SECURITIZATION DOCUMENTS. Avnet shall not, from and after December 12, 2002: (a) amend, modify or supplement that certain Receivables Sale Agreement dated as of June 28, 2001, as amended, by and between Avnet and Avnet Receivables Corporation, a Delaware corporation (the "SPV"); or (b) consent to any amendment, modification or supplement of (i) that certain Amended and Restated Receivables Purchase Agreement dated as of February 6, 2002, as amended (the "Receivables Purchase Agreement"), by and among the SPV, Avnet, the commercial paper conduits and financial institutions party thereto as "Purchasers," and Bank One, NA (Main Office Chicago), as agent for the Purchasers, or (ii) any other "Transaction Document" (as such term is defined in the Receivables Purchase Agreement); in each case (a) or (b), that in any manner, directly or indirectly, (y) expands the scope of property transferred to the SPV or (z) restricts or impairs the SPV's legal or contractual ability to make any "SPV Distributions" (as such term is defined in the Receivables Intercreditor Agreement).

6.28 REPURCHASE OF SECURITIZED RECEIVABLES. Avnet shall not, and shall not permit any of its Subsidiaries to, repurchase any Permitted Receivables subject to a Permitted Securitization, other than pursuant to a Permitted Securitization Refinancing.

6.29 INVENTORY LOCATED ON CUSTOMER PREMISES. With respect to any inventory of Avnet or any of its Subsidiaries now or hereafter located or to be located on customer premises having a value equal to or greater than \$500,000 in respect of any such customer, Avnet shall, in

respect of any such customer existing as of December 31, 2002, make best efforts in order that by February 14, 2003, it has either (a) Perfected Avnet's or such Subsidiary's Lien on or other interest in all such inventory by filing UCC-1 financing statements naming each such customer as the "debtor" in the jurisdiction in which such customer is organized, providing notice of Avnet's or such Subsidiary's Lien on or other interest in such inventory, or (b) otherwise taken all actions reasonably requested by the Administrative Agent in order to evidence the ownership of such inventory by Avnet or such Subsidiary. Avnet shall deliver to the Administrative Agent a certificate confirming the completion of either item (a) or (b) hereunder. In respect of any such customer arising after December 31, 2002, Avnet shall make best efforts to complete either of the undertakings above as soon as possible thereafter and shall from time to time deliver to the Administrative Agent certificates confirming such completion."

(h) Schedule 6.21 to the Credit Agreement shall be renumbered as Schedule 6.21-1, and a new Schedule 6.21-2 shall be added to the Credit Agreement in the form of Schedule 6.21-2 hereto.

3. Intercreditor Agreement. The Lenders hereby approve and ratify the Receivables Intercreditor Agreement in the form of Exhibit A hereto, and hereby instruct the Administrative Agent to execute and deliver the Receivables Intercreditor Agreement. The Lenders hereby acknowledge that it is their intent that and hereby represent to the Administrative Agent that (a) the Administrative Agent has the power and authority to bind each Lender to the Receivables Intercreditor Agreement, all as if each such Lender were a signatory thereof, and (b) upon the execution and delivery of the Receivables Intercreditor Agreement by the Administrative Agent, such agreement will constitute the legal, valid and binding obligation of each Lender enforceable against each such Lender in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law). The Lenders further acknowledge that the Administrative Agent is relying upon the foregoing assurances in executing and delivering the Receivables Intercreditor Agreement. This Section 3 is hereby incorporated into and made a part of Article VIII of the Credit Agreement by this reference.

4. Representations and Warranties. Avnet hereby represents and warrants to the Administrative Agent and the Lenders as follows:

(a) No Default or Event of Default has occurred and is continuing, either immediately prior to or after giving effect to this Amendment.

(b) The execution, delivery and performance by Avnet of this Amendment have been duly authorized by all necessary corporate and other action and do not and will not require any registration with, consent or approval of, notice to or action by, any Person (including any Governmental Authority) in order to be effective and enforceable. The Credit Agreement as amended by this Amendment constitutes the legal, valid and binding obligations of

Avnet, enforceable against it in accordance with its respective terms, without defense, counterclaim or offset.

(c) All representations and warranties of Avnet contained in Article V of the Credit Agreement as amended hereby are true and correct as of the Effective Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date.

(d) Avnet is entering into this Amendment on the basis of its own investigation and for its own reasons, without reliance upon the Administrative Agent, the Lenders or any other Person.

(e) As of the Effective Date, there are no Designated Borrowers under the Credit Agreement.

5. Effective Date. This Amendment will become effective as of the date shown first above, provided each of the following conditions precedent has been satisfied (the "Effective Date"):

(a) The Administrative Agent shall have received from each of Avnet and the Required Lenders a duly executed original (or, if elected by the Administrative Agent, an executed facsimile copy) counterpart to this Amendment.

(b) The Administrative Agent shall have received from the secretary or assistant secretary of Avnet a certificate providing satisfactory evidence of the authorization of the execution, delivery and performance by Avnet of this Amendment and any other documents contemplated hereby.

(c) The Administrative Agent shall have received from Avnet a certificate executed by a Responsible Officer of Avnet, dated as of the Effective Date and certifying that (i) all representations and warranties contained herein are true and correct on and as of the Effective Date as though made on and as of such date and (ii) on and as of the Effective Date, no event has occurred which has or would reasonably be likely to have a material adverse effect on the business, assets, liabilities (actual or contingent), operations, condition (financial or otherwise) or prospects of Avnet or of Avnet and its Subsidiaries taken as a whole, or on the facts and information regarding Avnet and its Subsidiaries as represented as of the date hereof.

(d) The Administrative Agent shall have received satisfactory evidence that Avnet has paid (i) all Attorney Costs of the Administrative Agent to the extent invoiced prior to the Effective Date (including any previously invoiced and outstanding Attorney Costs that relate to services previously provided), plus such additional amounts of Attorney Costs as shall constitute the Administrative Agent's reasonable estimate of Attorney Costs incurred or to be incurred by it through the Effective Date (provided that such estimate shall not thereafter preclude a final settling of accounts between Avnet and the Administrative Agent) and (ii) all other reasonable out-of-pocket costs and expenses of the Administrative Agent in connection with the negotiation, preparation, execution and delivery of this Amendment and any other documents to be delivered in connection herewith.

(e) The Administrative Agent shall have received, in form and substance satisfactory to it, such additional approvals, consents, opinions, documents and other information as the Administrative Agent may request.

(f) Avnet shall have executed and delivered or caused to be executed and delivered into Document Escrow or to the Administrative Agent all of the Collateral Documents listed on Schedule I hereto, other than those Collateral Documents listed (i) on Schedule 6.21-2 to the Credit Agreement and (ii) in item 6 of Schedule I hereto.

(g) The Effective Date shall have occurred no later than December 12, 2002.

For purposes of determining compliance with the conditions specified in this Section 5, each Lender that has executed this Amendment and delivered it to the Administrative Agent shall be deemed to have consented to, approved or accepted, or to be satisfied with, each document or other matter either sent, or made available for inspection, by the Administrative Agent to such Lender for consent, approval, acceptance or satisfaction, or required thereunder to be consented to or approved by or acceptable or satisfactory to such Lender.

6. Reservation of Rights. Avnet acknowledges and agrees that the execution and delivery by the Administrative Agent and the Required Lenders of this Amendment shall not (a) be deemed to create a course of dealing or otherwise obligate the Administrative Agent or any Lender to execute similar amendments under the same or similar circumstances in the future or (b) be deemed to create any implied waiver of any right or remedy of the Administrative Agent or any Lender with respect to any term or provision of any Loan Document.

#### 7. Miscellaneous.

(a) The Lenders hereby acknowledge, solely in favor and for the benefit of the Administrative Agent, that the Collateral Documents will or may consist only of those Collateral Documents listed on Schedule I hereto, copies of all of which the Administrative Agent has made available for review by each Lender upon such Lender's request, and the Lenders hereby approve and ratify the Administrative Agent's decisions to request only those Collateral Documents listed on such schedule.

(b) Except as herein expressly amended, all terms, covenants and provisions of the Credit Agreement are and shall remain in full force and effect and all references therein to such Credit Agreement shall henceforth refer to the Credit Agreement as amended by this Amendment. This Amendment shall be deemed incorporated into, and a part of, the Credit Agreement. The Credit Agreement, as amended hereby, is hereby ratified by Avnet.

(c) This Amendment shall be binding upon and inure to the benefit of the parties hereto and thereto and their respective successors and assigns. No third party beneficiaries are intended in connection with this Amendment.

(d) THIS AMENDMENT IS SUBJECT TO THE PROVISIONS OF SECTIONS 9.19 AND 9.20 OF THE CREDIT AGREEMENT, THE PROVISIONS OF WHICH ARE BY THIS REFERENCE HEREBY INCORPORATED HEREIN IN FULL.

(e) This Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument. Each of the parties hereto understands and agrees that this document (and any other document required herein) may be delivered by any party thereto either in the form of an executed original or an executed original sent by facsimile transmission to be followed promptly by mailing of a hard copy original, and that receipt by the Administrative Agent of a facsimile transmitted document purportedly bearing the signature of a Lender or Avnet shall bind such Lender or Avnet, respectively, with the same force and effect as the delivery of a hard copy original. Any failure by the Administrative Agent to receive the hard copy executed original of such document shall not diminish the binding effect of receipt of the facsimile transmitted executed original of such document of the party whose hard copy page was not received by the Administrative Agent.

(f) This Amendment, together with the Credit Agreement, contains the entire and exclusive agreement of the parties hereto with reference to the matters discussed herein and therein. This Amendment supersedes all prior drafts and communications with respect thereto. This Amendment may not be amended except in accordance with the provisions of Section 9.01 of the Credit Agreement.

(g) Each provision of this Amendment shall, whenever possible, be interpreted in such a manner as to be effective, valid and enforceable in all respects. If, however, any provision of this Amendment shall be prohibited by any applicable law or regulation in any jurisdiction, or shall be invalid or unenforceable for any reason, such provision shall be deemed modified (i) as to such jurisdiction, in order to conform to the minimum requirements of such law or regulation, or (ii) to the minimum extent necessary in order to render such provision valid and enforceable. If, for any reason, such provision is not deemed so modified, it shall be ineffective, invalid or unenforceable only to the extent of such prohibition, invalidity or unenforceability, without affecting the remaining provisions of this Amendment, the Credit Agreement or any other Loan Documents.

(h) Avnet covenants to pay to or reimburse the Administrative Agent, upon demand, for all out-of-pocket costs and expenses incurred in connection with the development, preparation, negotiation, execution and delivery of this Amendment and the other documents contemplated hereby.

(i) This Amendment shall constitute a Loan Document.

[Signature pages follow]



IN WITNESS WHEREOF, the parties hereto have executed and delivered this Amendment as of the date first above written.

AVNET, INC.

By: /s/ Raymond Sadowski  
Name: Raymond Sadowski  
Title: Senior Vice President and Chief  
Financial Officer

A-1

BANK OF AMERICA, N.A., as the Administrative  
Agent, a Lender, the L/C Issuer and the Swing  
Line Lender

By: /s/ Sugeet Manchanda  
Name: Sugeet Manchanda  
Title: Principal

A-2

ABN AMRO BANK N.V., as a Lender

By: /s/ Maria Vickroy-Peralta  
Name: Maria Vickroy-Peralta  
Title: Senior Vice President

By: /s/ Peter Hsu  
Name: Peter Hsu  
Title: Vice President

A-3

THE BANK OF NOVA SCOTIA, as a Lender

By: /s/ Kemp Leonard  
Name: Kemp Leonard  
Title: Director

A-4

BANK OF TOKYO-MITSUBISHI TRUST COMPANY, as a  
Lender

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

A-5

BANK ONE, N.A., as a Lender

By: /s/ Joseph R. Perdenza  
Name: Joseph R. Perdenza  
Title: Director

A-6

CREDIT SUISSE FIRST BOSTON, as a Lender

By: /s/ Robert Hetu  
Name: Robert Hetu  
Title: Director

By: /s/ Guy M. Brown  
Name: Guy M. Brown  
Title: Associate

A-7

WACHOVIA BANK, NATIONAL ASSOCIATION, as a  
Lender

By: /s/ George L. Woolsey  
Name: George L. Woolsey  
Title: Vice President

A-8



FLEET NATIONAL BANK, as a Lender

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

KBC BANK, N.V., as a Lender

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

NATEXIS BANQUES POPULAIRES, as a Lender

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

THE NORTHERN TRUST COMPANY, as a Lender

By: /s/ Eric Dybing  
Name: Eric Dybing  
Title: Second Vice President

A-12

SKANDINAVISKA ENSKILDA BANKEN AB (PUBL),  
as a Lender

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

A-13

STANDARD CHARTERED BANK, as a Lender

By: /s/ Mary Machado-Schammel  
Name: Mary Machado-Schammel  
Title: Sr. Vice President

By: /s/ Andrew Y. Ng  
Name: Andrew Y. Ng  
Title: Vice President

A-14

UNICREDITO ITALIANO, NEW YORK BRANCH, as a  
Lender

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

SIXTH AMENDMENT TO CREDIT AGREEMENT

THIS SIXTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), dated as of December 13, 2002, is entered into by and among AVNET, INC., a New York corporation ("Avnet"), the lenders party to the Credit Agreement referred to below (each a "Lender" and, collectively, the "Lenders") and BANK OF AMERICA, N.A., as administrative agent for itself and the other Lenders (in such capacity, the "Administrative Agent").

RECITALS

A. Avnet, the Lenders and the Administrative Agent are parties to that certain Credit Agreement (Multi-Year) dated as of October 25, 2001, as amended or modified by that First Amendment to Credit Agreement (Multi-Year) dated as of March 29, 2002, that Second Amendment to Credit Agreement (Multi-Year) dated as of October 10, 2002, that certain letter agreement dated as of November 8, 2002, that Third Amendment to Credit Agreement dated as of November 23, 2002, that Fourth Amendment to Credit Agreement dated as of December 9, 2002, and that Fifth Amendment to Credit Agreement dated as of December 12, 2002 (the "Fifth Amendment") (as so amended or modified, the "Credit Agreement"), pursuant to which the Administrative Agent and the Lenders have extended certain credit facilities to Avnet and certain of its Subsidiaries.

B. Avnet has requested that the Administrative Agent and the Lenders agree to certain amendments of the Credit Agreement.

C. The Administrative Agent and the Lenders are willing to amend the Credit Agreement subject to the terms and conditions of this Amendment.

NOW, THEREFORE, for valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Defined Terms. Unless otherwise defined herein, capitalized terms used herein shall have the meanings, if any, assigned to such terms in the Credit Agreement as amended hereby.

2. Amendments to Credit Agreement. The Credit Agreement shall be amended, effective as of the Effective Date, at Section 1.01 by amending and restating the following defined term in its entirety:

"Trigger Event" means the occurrence of any of the following on or after the Second Amendment Date: (i) (A) the failure, for whatever reason, to consummate a Permitted Capital Markets Transaction on or before February 14, 2003; or (B) any Borrower submits a Request for Credit Extension, other than on a one-time basis a Letter of Credit Application relating to the issuance of a single Letter of Credit in the amount of \$50,000,000 for the benefit of IBM, at any time on or after December 13, 2002, and prior to the date of consummation of a Permitted Capital Markets Transaction; (ii) the establishment of a Debt Rating by Moody's of Ba1 or lower or by S&P of BB+ or lower or either such rating agency shall withdraw its Debt Rating; or (iii) the day immediately



following the occurrence of an Unwind (other than an Unwind in connection with which Avnet simultaneously consummates and enters into a Permitted Securitization Refinancing) arrives.

3. Representations and Warranties. Avnet hereby represents and warrants to the Administrative Agent and the Lenders as follows:

(a) No Default or Event of Default has occurred and is continuing, either immediately prior to or after giving effect to this Amendment.

(b) The execution, delivery and performance by Avnet of this Amendment have been duly authorized by all necessary corporate and other action and do not and will not require any registration with, consent or approval of, notice to or action by, any Person (including any Governmental Authority) in order to be effective and enforceable. The Credit Agreement as amended by this Amendment constitutes the legal, valid and binding obligations of Avnet, enforceable against it in accordance with its respective terms, without defense, counterclaim or offset.

(c) All representations and warranties of Avnet contained in Article V of the Credit Agreement as amended hereby are true and correct as of the Effective Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date.

(d) Avnet is entering into this Amendment on the basis of its own investigation and for its own reasons, without reliance upon the Administrative Agent, the Lenders or any other Person.

(e) As of the Effective Date, there are no Designated Borrowers under the Credit Agreement.

4. Effective Date. This Amendment will become effective as of the date shown first above, provided each of the following conditions precedent has been satisfied (the "Effective Date"):

(a) The Administrative Agent shall have received from each of Avnet and the Required Lenders a duly executed original (or, if elected by the Administrative Agent, an executed facsimile copy) counterpart to this Amendment.

(b) The Administrative Agent shall have received from the secretary or assistant secretary of Avnet a certificate providing satisfactory evidence of the authorization of the execution, delivery and performance by Avnet of this Amendment and any other documents contemplated hereby.

(c) The Administrative Agent shall have received from Avnet a certificate executed by a Responsible Officer of Avnet, dated as of the Effective Date and certifying that (i) all representations and warranties contained herein are true and correct on and as of the Effective Date as though made on and as of such date and (ii) on and as of the Effective Date, no event has occurred which has or would reasonably be likely to have a material adverse effect on the business, assets, liabilities (actual or contingent), operations, condition (financial or otherwise) or

prospects of Avnet or of Avnet and its Subsidiaries taken as a whole, or on the facts and information regarding Avnet and its Subsidiaries as represented as of the date hereof.

(d) The Administrative Agent shall have received from Avnet payment of all fees required to be paid as of the closing hereof, including, for the ratable account of each Lender that has executed this Amendment before 3:00 p.m. (Pacific time) on December 13, 2002, an amendment fee of 0.15% (15 b.p.) times such Lender's total Commitment; such fees shall be fully-earned on the date so paid and shall be nonrefundable.

(e) The Administrative Agent shall have received satisfactory evidence that Avnet has paid (i) all Attorney Costs of the Administrative Agent to the extent invoiced prior to the Effective Date (including any previously invoiced and outstanding Attorney Costs that relate to services previously provided), plus such additional amounts of Attorney Costs as shall constitute the Administrative Agent's reasonable estimate of Attorney Costs incurred or to be incurred by it through the Effective Date (provided that such estimate shall not thereafter preclude a final settling of accounts between Avnet and the Administrative Agent) and (ii) all other reasonable out-of-pocket costs and expenses of the Administrative Agent in connection with the negotiation, preparation, execution and delivery of this Amendment and any other documents to be delivered in connection herewith.

(f) The Administrative Agent shall have received, in form and substance satisfactory to it, such additional approvals, consents, opinions, documents and other information as the Administrative Agent may request.

(g) The Fifth Amendment shall have become effective.

(h) The Effective Date shall have occurred no later than December 13, 2002.

For purposes of determining compliance with the conditions specified in this Section 4, each Lender that has executed this Amendment and delivered it to the Administrative Agent shall be deemed to have consented to, approved or accepted, or to be satisfied with, each document or other matter either sent, or made available for inspection, by the Administrative Agent to such Lender for consent, approval, acceptance or satisfaction, or required thereunder to be consented to or approved by or acceptable or satisfactory to such Lender.

5. Reservation of Rights. Avnet acknowledges and agrees that the execution and delivery by the Administrative Agent and the Required Lenders of this Amendment shall not (a) be deemed to create a course of dealing or otherwise obligate the Administrative Agent or any Lender to execute similar amendments under the same or similar circumstances in the future or (b) be deemed to create any implied waiver of any right or remedy of the Administrative Agent or any Lender with respect to any term or provision of any Loan Document.

#### 6. Miscellaneous.

(a) Except as herein expressly amended, all terms, covenants and provisions of the Credit Agreement are and shall remain in full force and effect and all references therein to such Credit Agreement shall henceforth refer to the Credit Agreement as amended by this Amendment. This Amendment shall be deemed incorporated into, and a part of, the Credit Agreement. The Credit Agreement, as amended hereby, is hereby ratified by Avnet.

(b) This Amendment shall be binding upon and inure to the benefit of the parties hereto and thereto and their respective successors and assigns. No third party beneficiaries are intended in connection with this Amendment.

(c) THIS AMENDMENT IS SUBJECT TO THE PROVISIONS OF SECTIONS 9.19 AND 9.20 OF THE CREDIT AGREEMENT, THE PROVISIONS OF WHICH ARE BY THIS REFERENCE HEREBY INCORPORATED HEREIN IN FULL.

(d) This Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument. Each of the parties hereto understands and agrees that this document (and any other document required herein) may be delivered by any party thereto either in the form of an executed original or an executed original sent by facsimile transmission to be followed promptly by mailing of a hard copy original, and that receipt by the Administrative Agent of a facsimile transmitted document purportedly bearing the signature of a Lender or Avnet shall bind such Lender or Avnet, respectively, with the same force and effect as the delivery of a hard copy original. Any failure by the Administrative Agent to receive the hard copy executed original of such document shall not diminish the binding effect of receipt of the facsimile transmitted executed original of such document of the party whose hard copy page was not received by the Administrative Agent.

(e) This Amendment, together with the Credit Agreement, contains the entire and exclusive agreement of the parties hereto with reference to the matters discussed herein and therein. This Amendment supersedes all prior drafts and communications with respect thereto. This Amendment may not be amended except in accordance with the provisions of Section 9.01 of the Credit Agreement.

(f) If any term or provision of this Amendment shall be deemed prohibited by or invalid under any applicable law, such provision shall be invalidated without affecting the remaining provisions of this Amendment or the Credit Agreement, respectively.

(g) Avnet covenants to pay to or reimburse the Administrative Agent, upon demand, for all out-of-pocket costs and expenses incurred in connection with the development, preparation, negotiation, execution and delivery of this Amendment and the other documents contemplated hereby.

(h) This Amendment shall constitute a Loan Document.

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Amendment as of the date first above written.

AVNET, INC.

By: /s/ Raymond Sadowski  
Name: Raymond Sadowski  
Title: Senior Vice President and Chief  
Financial Officer

Signature Page for the Sixth Amendment to Credit Agreement

S-1

BANK OF AMERICA, N.A., as the  
Administrative Agent, a Lender, the L/C  
Issuer and the Swing Line Lender

By: /s/ Sugeet Manchanda  
Name: Sugeet Manchanda  
Title: Principal

Signature Page for the Sixth Amendment to Credit Agreement  
S-2

ABN AMRO BANK N.V., as a Lender

By: /s/ Maria Vickroy-Peralta  
Name: Maria Vickroy-Peralta  
Title: Senior Vice President

By: /s/ Peter Hsu  
Name: Peter Hsu  
Title: Vice President

Signature Page for the Sixth Amendment to Credit Agreement  
S-3

THE BANK OF NOVA SCOTIA, as a Lender

By: /s/ Kemp Leonard

Name: Kemp Leonard

Title: Director

Signature Page for the Sixth Amendment to Credit Agreement

S-4

BANK OF TOKYO-MITSUBISHI TRUST COMPANY,  
as a Lender

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Signature Page for the Sixth Amendment to Credit Agreement  
S-5



BANK ONE, N.A., as a Lender

By: /s/ Joseph R. Perdenza  
Name: Joseph R. Perdenza  
Title: Director

Signature Page for the Sixth Amendment to Credit Agreement  
S-6

CREDIT SUISSE FIRST BOSTON, as a Lender

By: /s/ Robert Hetu  
Name: Robert Hetu  
Title: Director

By: /s/ Guy M. Brown  
Name: Guy M. Brown  
Title: Associate

Signature Page for the Sixth Amendment to Credit Agreement  
S-7

WACHOVIA BANK, NATIONAL ASSOCIATION, as a  
Lender

By: /s/ George L. Woolsey  
Name: George L. Woolsey  
Title: Vice President

Signature Page for the Sixth Amendment to Credit Agreement  
S-8

FLEET NATIONAL BANK, as a Lender

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Signature Page for the Sixth Amendment to Credit Agreement  
S-9

KBC BANK, N.V., as a Lender

By: /s/ Robert Snauffer  
Name: Robert Snauffer  
Title: First Vice President

By: /s/ Eric Raskin  
Name: Eric Raskin  
Title: Vice President

Signature Page for the Sixth Amendment to Credit Agreement  
S-10

NATEXIS BANQUES POPULAIRES, as a Lender

By: /s/ Pieter J. van Tulder  
Name: Pieter J. van Tulder  
Title: Vice President and Manager  
Multinational Group

By: /s/ Nicolat Regent  
Name: Nicolat Regent  
Title: VP Multinational

Signature Page for the Sixth Amendment to Credit Agreement  
S-11

THE NORTHERN TRUST COMPANY, as a Lender

By: /s/ Eric Dybing  
Name: Eric Dybing  
Title: Second Vice President

Signature Page for the Sixth Amendment to Credit Agreement  
S-12

SKANDINAVISKA ENSKILDA BANKEN AB (PUBL),  
as a Lender

By: /s/ Camilla Akerman  
Name: Camilla Akerman  
Title: Account Manager

Signature Page for the Sixth Amendment to Credit Agreement  
S-13



STANDARD CHARTERED BANK, as a Lender

By: /s/ Mary Machado-Schammel  
Name: Mary Machado-Schammel  
Title: Sr. Vice President

By: /s/ Andrew Y. Ng  
Name: Andrew Y. Ng  
Title: Vice President

Signature Page for the Sixth Amendment to Credit Agreement  
S-14

UNICREDITO ITALIANO, NEW YORK BRANCH, as  
a Lender

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Signature Page for the Sixth Amendment to Credit Agreement  
S-15

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

Pursuant to 18 U.S.C. §1350, the undersigned Chief Executive Officer of Avnet, Inc. (the "Company") hereby certifies that the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 27, 2002 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: January 27, 2003

/s/ Roy Vallee

---

Roy Vallee  
Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. §1350 and is not being filed as part of the Report or as a separate disclosure document.

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

Pursuant to 18 U.S.C. §1350, the undersigned Chief Financial Officer of Avnet, Inc. (the "Company") hereby certifies that the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 27, 2002 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: January 27, 2003

/s/ Raymond Sadowski

---

Raymond Sadowski  
Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. §1350 and is not being filed as part of the Report or as a separate disclosure document.