AVNET INC
Form 10-Q
May 05, 2009

Table of Contents

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 28, 2009

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 þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

As of April 24, 2009, the total number of shares outstanding of the registrant s Common Stock was 151,054,984 shares, net of treasury shares.

AVNET, INC. AND SUBSIDIARIES

INDEX

		Page No.
	PART I. FINANCIAL INFORMATION	
Item 1.	Financial Statements	2
	Consolidated Balance Sheets at March 28, 2009 and June 28, 2008	2
	Consolidated Statements of Operations for the third quarters and nine months ended March 28, 2009 and March 29, 2008	3
	Consolidated Statements of Cash Flows for the nine months ended March 28, 2009 and March 29, 2008	4
	Notes to Consolidated Financial Statements	5
Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	15
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	26
Item 4.	Controls and Procedures	26
	PART II. OTHER INFORMATION	
Item 1.	Legal Proceedings	27
Item 1A.	Risk Factors	27
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	28
Item 6.	Exhibits	28
Signature Page		29

EX-31.1
EX-31.2
EX-32.1
EX-32.2

PART I

FINANCIAL INFORMATION

Item 1. ***Financial Statements***

AVNET, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 28, 2009	June 28, 2008
	(Thousands, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 685,736	$ 640,449
Receivables, less allowances of $81,218 and $76,690, respectively	2,660,406	3,367,443
Inventories	1,613,894	1,894,492
Prepaid and other current assets	122,908	68,762
Total current assets	5,082,944	5,971,146
Property, plant and equipment, net	295,144	227,187
Goodwill (Notes 3 and 4)	569,335	1,728,904
Other assets	298,513	272,893
Total assets	$ 6,245,936	$ 8,200,130
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Borrowings due within one year (Note 5)	$ 97,062	$ 43,804
Accounts payable	1,814,462	2,293,243
Accrued expenses and other	509,920	442,545
Total current liabilities	2,421,444	2,779,592
Long-term debt, less due within one year (Note 5)	942,700	1,181,498
Other long-term liabilities	134,705	104,349
Total liabilities	3,498,849	4,065,439
Commitments and contingencies (Note 7)		
Shareholders equity (Notes 9 and 10):		
Common stock $1.00 par; authorized 300,000,000 shares; issued 151,082,000 shares and 150,417,000 shares, respectively	151,082	150,417

Additional paid-in capital	1,131,251	1,122,852
Retained earnings	1,288,139	2,379,723
Accumulated other comprehensive income (Note 9)	177,579	482,178
Treasury stock at cost, 46,959 shares and 18,286 shares, respectively	(964)	(479)
Total shareholders equity	2,747,087	4,134,691
Total liabilities and shareholders equity	$ 6,245,936	$ 8,200,130

See notes to consolidated financial statements.

Table of Contents

AVNET, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Third Quarters Ended		Nine Months Ended	
	March 28, 2009	March 29, 2008	March 28, 2009	March 29, 2008
	(Thousands, except per share data)			
Sales	$ 3,700,836	$ 4,421,645	$ 12,464,464	$ 13,273,508
Cost of sales	3,238,366	3,842,918	10,884,315	11,571,601
Gross profit	462,470	578,727	1,580,149	1,701,907
Selling, general and administrative expenses (Note 13)	406,997	411,974	1,230,059	1,162,091
Impairment charges (Note 4)			1,348,845	
Operating income (loss)	55,473	166,753	(998,755)	539,816
Other income (expense), net	(8,364)	6,205	(8,196)	21,766
Interest expense	(17,608)	(18,683)	(51,903)	(54,864)
Gain on sale of assets				7,477
Income (loss) before income taxes	29,501	154,275	(1,058,854)	514,195
Income tax provision	11,477	47,031	32,730	159,208
Net income (loss)	$ 18,024	$ 107,244	$ (1,091,584)	$ 354,987
Net earnings (loss) per share (Note 10):				
Basic	$ 0.12	$ 0.71	$ (7.24)	$ 2.36
Diluted	$ 0.12	$ 0.71	$ (7.24)	$ 2.33
Shares used to compute earnings (loss) per share (Note 10):				
Basic	151,147	150,440	150,810	150,177
Diluted	151,147	151,717	150,810	152,717

See notes to consolidated financial statements.

Table of Contents

AVNET, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended	
	March 28, 2009	March 29, 2008
	(Thousands)	
Cash flows from operating activities:		
Net income (loss)	$ (1,091,584)	$ 354,987
Non-cash and other reconciling items:		
Depreciation and amortization	50,792	43,864
Deferred income taxes	(86,084)	50,944
Stock-based compensation	14,416	20,412
Impairment charges (Note 4)	1,348,845	
Other, net	29,116	9,275
Changes in (net of effects from business acquisitions):		
Receivables	621,999	116,199
Inventories	247,545	(44,928)
Accounts payable	(483,231)	(237,606)
Accrued expenses and other, net	136,321	(116,767)
Net cash flows provided by operating activities	788,135	196,380
Cash flows from financing activities:		
Repayment of notes (Note 5)	(298,059)	
Repayment of bank debt, net (Note 5)	(25,185)	(1,773)
Repayment of other debt, net (Note 5)	(6,049)	(19,356)
Other, net	1,282	6,561
Net cash flows used for financing activities	(328,011)	(14,568)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(89,252)	(59,675)
Cash proceeds from sales of property, plant and equipment	9,840	12,109
Acquisitions of operations, net of cash acquired (Note 3)	(309,864)	(352,703)
Cash proceeds from divestiture activities		3,000
Net cash flows used for investing activities	(389,276)	(397,269)
Effect of exchange rate changes on cash and cash equivalents	(25,561)	39,569
Cash and cash equivalents:		
increase (decrease)	45,287	(175,888)
at beginning of period	640,449	557,350
at end of period	$ 685,736	$ 381,462

Additional cash flow information (Note 11)

See notes to consolidated financial statements.

Table of Contents

AVNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presentation

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 goodwill and intangible asset impairment charges discussed in Note 4, the restructuring, integration and other charges discussed in Note 13, and the gain on the sale of assets, 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, 2008.

2. Interim financial results

The results of operations for the third quarter and first nine months ended March 28, 2009 are not necessarily indicative of the results to be expected for the full year.

3. Acquisitions

During the third quarter of fiscal 2009, the Company completed its acquisitions of Abacus Group plc (Abacus), and Nippon Denso Industry Co. Ltd. (Nippon Denso). Abacus, a value-added distributor of computer components in Europe with sales of approximately £279 million (approximately $403 million based upon current foreign currency exchange rates) in its fiscal year ended September 2008, was acquired for an all cash price of £0.55 per share which equates to a transaction value of approximately £97.9 million ($141.6 million) including the assumption of estimated net debt. Abacus is reported as part of the Electronics Marketing (EM) EMEA reporting unit. Nippon Denso is a Tokyo-based, value-added distributor of electronic components with established design and engineering expertise with annual sales of JPY16.1 billion (approximately $163 million based upon current foreign currency exchange rates) for its fiscal year ended March 31, 2008 and is reported as part of the EM Asia reporting unit. Also in the third quarter of fiscal 2009, the Company entered into a joint venture with Sanko Holding Group to distribute servers, storage, workstations and computer components in Turkey. Avnet has more than a 50% controlling interest and, as a result, the venture is consolidated in the accompanying consolidated financial statements. The joint venture, Avnet Technology Solutions Sanayi ve Ticaret A.S., is reported as part of the operations of Technology Solutions (TS) EMEA reporting unit.

During the first quarter of fiscal 2009, the Company completed its acquisition of Horizon Technology Group plc in an all cash transaction for 1.18 per share, or approximately $160.5 million including the assumption of net debt. Horizon is a leading technical integrator and distributor of information technology products in the UK and Ireland with sales of 295 million (approximately $398 million based upon current foreign currency exchange rates) for the twelve months ended June 30, 2008. The acquired business is reported as part of the TS EMEA reporting unit. The Company also completed two smaller acquisitions in July 2008, Source Electronics Corporation with annualized revenue of approximately $82 million which is reported as part of the EM Americas reporting unit, and Ontrack Solutions Pvt. Ltd. with annualized revenue of approximately $13 million which is reported as part of the TS Asia reporting unit.

Acquisition-related exit activity accounted for in purchase accounting

During fiscal 2007 and 2006, the Company recorded certain exit-related liabilities through purchase accounting which consisted of severance for workforce reductions, non-cancelable lease commitments and lease termination charges for leased facilities, and other contract termination costs associated with the exit

AVNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

activities. The following table summarizes the utilization of these reserves during the first nine months of fiscal 2009:

	FY 2007	FY 2006 (Thousands)	Total
Balance at June 28, 2008	$ 1,937	$ 10,301	$ 12,238
Amounts utilized	(877)	(2,335)	(3,212)
Adjustments		(296)	(296)
Other, principally foreign currency translation	(216)	(57)	(273)
Balance at March 28, 2009	$ 844	$ 7,613	$ 8,457

As of March 28, 2009, the remaining fiscal 2007 reserves related primarily to facility exit costs which management expects to be utilized by fiscal 2013. The remaining fiscal 2006 reserves related primarily to facility exit costs and other contractual lease obligations which are expected to be substantially utilized by the end of fiscal 2013.

4. Goodwill and intangible assets

The following table presents the carrying amount of goodwill, by reportable segment, for the nine months ended March 28, 2009:

	Electronics Marketing	Technology Solutions (Thousands)	Total
Carrying value at June 28, 2008	$ 1,141,792	$ 587,112	$ 1,728,904
Additions	140,670	151,497	292,167
Goodwill impairment	(1,003,677)	(313,775)	(1,317,452)
Adjustments	(9,066)	(54,783)	(63,849)
Foreign currency translation	(16,940)	(53,495)	(70,435)
Carrying value at March 28, 2009	$ 252,779	$ 316,556	$ 569,335

In accordance with SFAS 142, *Goodwill and Other Intangible Assets*, (SFAS 142) the Company performs its annual goodwill impairment test on the first day of its fiscal fourth quarter. In addition, if and when events or circumstances change that would more likely than not reduce the fair value of any of its reporting units below its carrying value, an interim test would be performed.

Since the end of September 2008, the Company s market capitalization declined steadily. While the decline in market capitalization was relatively in line with the decline in the overall market, it fell significantly below book value during the second quarter due primarily to the global economic downturn s impact on the Company s performance and the

turmoil in the equity markets. As a result of these events, the Company determined that an interim impairment test was necessary and performed the interim test on all six of its reporting units as of the end of the Company s fiscal second quarter (December 27, 2008). Based on the test results, the Company determined that goodwill at four of its reporting units was impaired. Accordingly, during the second quarter of fiscal 2009, the Company recognized a non-cash goodwill impairment charge of $1,317,452,000 pre-tax, $1,283,308,000 after tax and $8.51 per share to write off all goodwill related to its EM Americas, EM Asia, TS EMEA and TS Asia reporting units. The non-cash charge had no impact on the Company s compliance with debt covenants, its cash flows or available liquidity, but did have a material impact on its consolidated financial statements.

In accordance with SFAS 142, a two step process is used to test for goodwill impairment. The first step is to determine if there is an indication of impairment by comparing the estimated fair value of each reporting unit to its carrying value including existing goodwill. Goodwill is considered impaired if the carrying value of a reporting unit

Table of Contents

AVNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

exceeds the estimated fair value. Upon an indication of impairment, a second step is performed to determine the amount of the impairment by comparing the implied fair value of the reporting unit s goodwill with its carrying value.

To estimate the fair value of its reporting units for step one, the Company utilized a combination of income and market approaches. The income approach, specifically a discounted cash flow methodology, included assumptions for, among others, forecasted revenues, gross profit margins, operating profit margins, working capital cash flow, perpetual growth rates and long term discount rates, all of which require significant judgments by management. These assumptions take into account the current recessionary environment and its impact on the Company s business. In addition, the Company utilized a discount rate appropriate to compensate for the additional risk in the equity markets regarding the Company s future cash flows in order to arrive at a control premium considered supportable based upon historical comparable transactions.

The results of step one indicated that the goodwill related to the EM Asia, TS EMEA and TS Asia reporting units was fully impaired. Therefore, the Company only performed step two of the impairment analysis for its EM Americas reporting unit. Step two of the impairment test required the Company to fair value all of the reporting unit s assets and liabilities, including identifiable intangible assets, and compare the implied fair value of goodwill to its carrying value. The results of step two indicated that the goodwill in the EM Americas reporting unit was also fully impaired.

The goodwill addition in EM, as presented in the preceding table, was primarily a result of the Abacus and Source Electronics acquisitions. The addition to goodwill in TS was primarily a result of the Horizon and Ontrack Solutions Pvt Ltd acquisitions (see Note 3). Adjustments to goodwill in both operating groups related primarily to the identification of intangible assets, net of associated deferred tax liabilities, which were reclassified to Other Assets on the consolidating balance sheet. As discussed above, certain of these assets were impaired as of December 27, 2008.

In accordance with SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Company also evaluated the recoverability of its long-lived assets at each of the four reporting units where goodwill was deemed to be impaired. Based upon this evaluation, the Company determined that certain of its amortizable intangible assets were impaired. As a result, the Company recognized a non-cash intangible asset impairment charge of $31,393,000 pre- and after tax and $0.21 per share. As of March 28, 2009, Other assets included customer relationships intangible assets with a carrying value of $68,341,000; consisting of $89,405,000 in original cost value and accumulated amortization and foreign currency translation of $21,064,000. These assets are being amortized over ten years. Amortization expense was $2,119,000 and $10,127,000 for the third quarter and nine months ended March 28, 2009, respectively. Amortization expense was $1,040,000 and $3,120,000 for the third quarter and nine months ended March 29, 2008, respectively. Amortization expense for the next five years is expected to be approximately $8,500,000 each year, based upon current foreign currency exchange rates.

5. External financing

Short-term debt consists of the following:

	March 28, 2009	June 28, 2008
	(Thousands)	

Bank credit facilities	$ 93,180	$ 32,649
Other debt due within one year	3,882	11,155
Short-term debt	$ 97,062	$ 43,804

Bank credit facilities consist of various committed and uncommitted lines of credit with financial institutions and are utilized primarily to support the working capital requirements of foreign operations. As of March 28, 2009, there were $68,191,000 in borrowings outstanding on bank credit facilities assumed from recent acquisitions. The weighted average interest rate on outstanding bank credit facilities was 1.8% at March 28, 2009 and 1.5% at June 28, 2008.

AVNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company has a $450,000,000 accounts receivable securitization program (the Securitization Program) with a group of financial institutions that allows the Company to sell, on a revolving basis, an undivided interest in eligible receivables while retaining a subordinated interest in a portion of the receivables. The Securitization Program, which has a one year term that expires in August 2009, does not qualify for sale treatment; as a result, any borrowings under the Securitization Program are recorded as debt on the consolidated balance sheet. The Securitization Program contains certain covenants, all of which the Company was in compliance with as of March 28, 2009. There were no amounts outstanding under the Securitization Program at March 28, 2009 or June 28, 2008.

Long-term debt consists of the following:

	March 28, 2009	June 28, 2008
	(Thousands)	
5.875% Notes due March 15, 2014	$ 300,000	$ 300,000
6.00% Notes due September 1, 2015	250,000	250,000
6.625% Notes due September 15, 2016	300,000	300,000
2% Convertible Senior Debentures due March 15, 2034		300,000
Other long-term debt	95,128	34,207
Subtotal	945,128	1,184,207
Discount on notes	(2,428)	(2,709)
Long-term debt	$ 942,700	$ 1,181,498

The Company has a five-year $500,000,000 unsecured revolving credit facility (the Credit Agreement) with a syndicate of banks which expires in September 2012. Under the Credit Agreement, the Company may select from various interest rate options, currencies and maturities. The Credit Agreement contains certain covenants, all of which the Company was in compliance with as of March 28, 2009. As of the end of the third quarter of fiscal 2009, there were $31,468,000 in borrowings outstanding under the Credit Agreement included in other long-term debt in the preceding table. In addition, there were $1,511,000 in letters of credit issued under the Credit Agreement which represent a utilization of the Credit Agreement capacity but are not recorded in the consolidated balance sheet as the letters of credit are not debt. At June 28, 2008, there were $19,689,000 in borrowings outstanding and $24,264,000 in letters of credit issued under the Credit Agreement.

Substantially all of the 2% Convertible Senior Debentures due March 15, 2034 (the Debentures) were put to the Company by holders of the Debentures who exercised their right to require the Company to purchase the Debentures for cash on March 15, 2009 at the Debentures full principal amount plus accrued and unpaid interest. The Company paid $298,059,000 plus accrued interest using cash on hand. The remaining $1,941,000 of the Debentures that were not put to the Company in March were repaid on April 30, 2009 and, as a result, were classified as short-term debt as of March 28, 2009 and included in Other long-term debt in the preceding table.

As of March 28, 2009, there were $39,081,000 in borrowings outstanding included in Other long-term debt in the preceding table related to bank facilities assumed from recent acquisitions.

6. Derivative financial instruments

The Company accounts for derivative financial instruments in accordance with the FASB s Statement of Financial Accounting Standards No. 133 (SFAS 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 and Statement of Financial Accounting Standards No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities*.

AVNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Many of the Company s subsidiaries, on occasion, purchase and sell products in currencies other than their functional currencies. This subjects the Company to the risks associated with fluctuations in foreign currency exchange rates. The Company reduces this risk by utilizing natural hedging (offsetting receivables and payables) as well as by creating offsetting positions through the use of derivative financial instruments, primarily forward foreign exchange contracts with maturities of less than sixty days. The Company continues to have exposure to foreign exchange risks to the extent they are not hedged. The forward contracts are not designated as hedging instruments as the Company uses these contracts to hedge foreign currency balance sheet exposures. The Company adjusts all foreign denominated balances and any outstanding foreign exchange contracts to fair market value through the consolidated statements of operations. Therefore, the market risk related to the foreign exchange contracts is offset by the changes in valuation of the underlying items being hedged. The asset or liability representing the fair value of foreign exchange contracts is classified in the captions other current assets or accrued expenses and other, as applicable, in the accompanying consolidated balance sheets and were not material as of March 28, 2009. In addition, as of the end of the third quarter of fiscal 2009, the Company did not have material gains or losses related to the forward contracts which are recorded in other income (expense), net in the accompanying consolidated statements of operations.

In the past, the Company has, from time to time, entered into hedge transactions that convert certain fixed rate debt to variable rate debt. The Company is not currently hedging its interest rate risk; however, to the extent the Company enters into such hedge transactions, those fair value hedges and the hedged debt are adjusted to current market values through interest expense in accordance with SFAS 133, as amended.

The Company generally does not hedge its investment in its foreign operations. The Company does not enter into derivative financial instruments for trading or speculative purposes and monitors the financial stability and credit standing of its counterparties.

7. Commitments and contingencies

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

8. Pension plan

The Company s noncontributory defined benefit pension plan (the Plan) covers substantially all domestic employees. Components of net periodic pension costs during the quarters and nine months ended March 28, 2009 and March 29, 2008 were as follows:

	Third Quarters Ended		Nine Months Ended	
	March 28, 2009	March 29, 2008	March 28, 2009	March 29, 2008
	(Thousands)			

Service cost	$ 4,051	$ 3,684	$ 12,153	$ 11,052
Interest cost	4,544	4,192	13,632	12,576
Expected return on plan assets	(6,363)	(5,834)	(19,089)	(17,502)
Recognized net actuarial loss	581	774	1,743	2,322
Net periodic pension costs	$ 2,813	$ 2,816	$ 8,439	$ 8,448

Table of Contents

AVNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

During the third quarter and first nine months of fiscal 2009, the Company made contributions to the Plan of $4,031,000 and $14,887,000, respectively. In addition, in April 2009, the Company made a voluntary contribution to the Plan of $53,000,000 in addition to $7,412,000 of regularly scheduled contributions.

9. Comprehensive income (loss)

	Third Quarters Ended		Nine Months Ended	
	March 28, 2009	March 29, 2008	March 28, 2009	March 29, 2008
	(Thousands)			
Net income (loss)	$ 18,024	$ 107,244	$ (1,091,584)	$ 354,987
Foreign currency translation adjustments	(64,615)	106,056	(304,599)	204,694
Total comprehensive income (loss)	$ (46,591)	$ 213,300	$ (1,396,183)	$ 559,681

10. Earnings (loss) per share

	Third Quarters Ended		Nine Months Ended	
	March 28, 2009	March 29, 2008	March 28, 2009	March 29, 2008
	(Thousands, except per share data)			
Numerator:				
Net income (loss)	$ 18,024	$ 107,244	$ (1,091,584)	$ 354,987
Denominator:				
Weighted average common shares for basic earnings (loss) per share	151,147	150,440	150,810	150,177
Net effect of dilutive stock options and restricted stock awards		1,277		1,790
Net effect of 2% Convertible Debentures due March 15, 2034				750
Weighted average common shares for diluted earnings per share	151,147	151,717	150,810	152,717
Basic earnings (loss) per share	$ 0.12	$ 0.71	$ (7.24)	$ 2.36
Diluted earnings (loss) per share	$ 0.12	$ 0.71	$ (7.24)	$ 2.33

As discussed in Note 5, substantially all of the 2% Convertible Debentures were put back to the Company in March 2009 and, therefore, were no longer outstanding as of the end of the quarter. As a result, they were excluded from the computation of earnings per diluted share for the third quarter and first nine months of fiscal 2009. For the third quarter of fiscal 2008, shares issuable upon conversion of the Debentures were excluded from the computation of earnings per diluted share as a result of the Company s election to satisfy the principal portion of the Debentures in cash. For the conversion premium portion, which would be settled in shares, the shares issuable upon conversion were excluded from the calculation because the average stock price for those periods was below the conversion price per share of $33.84. For the first nine months of fiscal 2008, shares issuable upon the conversion of the premium portion were included in the computation of earnings per diluted shares because the average stock price for the period was above the conversion price per share of $33.84. The number of dilutive shares for the conversion premium was calculated in accordance with EITF 04-8, *The Effect of Contingently Convertible Instruments on Diluted Earnings per Share.*

AVNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Options to purchase 320,000 and 35,000 shares were excluded from the diluted earnings per share calculations in the third quarter and nine months ended March 29, 2008, because the exercise price for those options was above the average market price of the Company s stock during those periods. Inclusion of these options in the diluted earnings per share calculation would have had an anti-dilutive effect.

11. Additional cash flow information

Interest and income taxes paid in the nine months ended March 28, 2009 and March 29, 2008, respectively, were as follows:

	Nine Months Ended	
	March 28, 2009	March 29, 2008
	(Thousands)	
Interest	$ 65,476	$ 68,512
Income taxes	57,020	122,925

During the first nine months of fiscal 2009, the Company assumed $146,831,000 of debt as a result of acquisitions completed during fiscal 2009.

12. Segment information

	Third Quarters Ended		Nine Months Ended	
	March 28, 2009	March 29, 2008	March 28, 2009	March 29, 2008
	(Thousands)			
Sales:				
Electronics Marketing	$ 2,096,595	$ 2,623,750	$ 7,065,391	$ 7,594,061
Technology Solutions	1,604,241	1,797,895	5,399,073	5,679,447
	$ 3,700,836	$ 4,421,645	$ 12,464,464	$ 13,273,508
Operating income (loss):				
Electronics Marketing	$ 59,558	$ 153,561	$ 297,357	$ 410,339
Technology Solutions	42,199	41,354	160,186	199,228
Corporate	(13,605)	(17,305)	(51,634)	(58,894)
	88,152	177,610	405,909	550,673
Impairment charges (Note 4)			(1,348,845)	
Restructuring, integration and other charges (Note 13)	(32,679)	(10,857)	(51,989)	(10,857)

Incremental intangible asset amortization			(3,830)	
	$ 55,473	$ 166,753	$ (998,755)	$ 539,816
Sales, by geographic area:				
Americas[(1)]	$ 1,712,325	$ 2,027,383	$ 5,846,774	$ 6,371,786
EMEA[(2)]	1,250,426	1,582,655	4,110,729	4,365,137
Asia/Pacific[(3)]	738,085	811,607	2,506,961	2,536,585
	$ 3,700,836	$ 4,421,645	$ 12,464,464	$ 13,273,508

Table of Contents

AVNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(1) Includes sales in the United States of $1.53 billion and $1.82 billion for the third quarters ended March 28, 2009 and March 29, 2008, respectively. Includes sales in the United States of $5.28 billion and $5.79 billion for the first nine months of fiscal 2009 and 2008, respectively.

(2) Includes sales in Germany and the United Kingdom of $400.8 million and $273.7 million, respectively, for the third quarter ended March 28, 2009. Includes sales in Germany and the United Kingdom of $1.4 billion and $751.4 million, respectively, for the first nine months of fiscal 2009. Includes sales in Germany of $600.5 million and $1.61 billion for the third quarter and first nine months of fiscal 2008, respectively. For the third quarter and first nine months of fiscal 2008, sales in the United Kingdom were not a significant component of consolidated sales.

(3) Includes sales in Taiwan, Singapore and Hong Kong of $177.1 million, $188.6 million and $271.0 million, respectively, for the third quarter of fiscal 2009. Includes sales in Taiwan, Singapore and Hong Kong of $745.0 million, $653.9 million and $872.4 million, respectively, for the first nine months of fiscal 2009. Includes sales in Taiwan, Singapore and Hong Kong of $231.6 million, $213.1 million and $243.4 million, respectively, for the third quarter of fiscal 2008. Includes sales in Taiwan, Singapore and Hong Kong of $783.6 million, $667.4 million and $685.9 million, respectively, for the first nine months of fiscal 2008.

	March 28, 2009	June 28, 2008
	(Thousands)	
Assets:		
Electronics Marketing	$ 3,979,154	$ 5,140,468
Technology Solutions	2,088,966	2,785,103
Corporate	177,816	274,559
	$ 6,245,936	$ 8,200,130
Property, plant, and equipment, net, by geographic area		
Americas[4]	$ 178,605	$ 148,872
EMEA[5]	99,055	64,880
Asia/Pacific	17,484	13,435
	$ 295,144	$ 227,187

(4) Includes property, plant and equipment, net, of $175.5 million and $145.4 million as of March 28, 2009 and June 28, 2008, respectively, in the United States.

(5) Includes property, plant and equipment, net, of $41.1 million and $23.1 million in Germany and Belgium, respectively, as of March 28, 2009 and $31.8 million and $16.8 million in Germany and Belgium, respectively, as of June 28, 2008.

13. Restructuring, integration and other items

Fiscal 2009

Since the beginning of the fiscal year, the global economy has slowed down considerably, which has negatively impacted the Company s profitability. During the first nine months of fiscal 2009, the Company has taken several actions to reduce costs in order to realign its expense structure with current market conditions. Management expects all announced cost reduction actions to be completed by the end of September 2009 with the full benefit to be realized in the December 2009 quarter. As a result, the Company incurred restructuring and other charges included

Table of Contents

AVNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

in selling, general and administrative expenses as described further below. The Company also incurred costs for integration activity for recently acquired businesses and other items as presented in the following table.

	Third Quarter Ended March 28, 2009	Nine Months Ended March 28, 2009
	(Thousands)	
Restructuring charges	$ 29,434	$ 44,109
Integration costs	2,324	5,065
Reversal of excess prior year restructuring reserves	(1,075)	(2,272)
Prior year acquisition adjustments	1,996	1,996
Loss on investment		3,091
Total restructuring, integration and other charges	$ 32,679	$ 51,989

The activity related to the restructuring charges incurred during the first nine months of fiscal 2009 is presented in the following table:

	Severance Reserves	Facility Exit Costs	Other	Total
		(Thousands)		
Fiscal 2009 pre-tax charges	$ 27,474	$ 15,774	$ 861	$ 44,109
Amounts utilized	(17,049)	(1,523)	(737)	(19,309)
Other, principally foreign currency translation	106	(74)	78	110
Balance at March 28, 2009	$ 10,531	$ 14,177	$ 202	$ 24,910

Of the $44,109,000 of restructuring charges incurred during the first nine months of fiscal 2009, $25,459,000 and $18,650,000 related to EM and TS, respectively. Severance charges related to personnel reductions of approximately 975 employees in administrative, finance and sales functions in connection with the cost reduction actions in all three regions of both operating groups with employee reductions of approximately 620 in EM, 315 in TS and the remaining from support functions. Exit costs for vacated facilities related to approximately twenty facilities in the Americas, seven in EMEA and two in Asia/Pac. Other charges included contractual obligations with no on-going benefit to the Company. Cash payments of $19,291,000 are reflected in the amounts utilized during the first nine months of fiscal 2009 and the remaining amounts were related to non-cash asset write downs. As of March 28, 2009, management expects the majority of the remaining severance and other reserves to be utilized in fiscal 2009 with some remaining payments to be made in fiscal 2010. The remaining facility exit cost reserves are expected to be utilized by the end of fiscal 2014.

During the first nine months of fiscal 2009, the Company incurred integration costs for professional fees, facility moving costs, travel, meeting, marketing and communication costs that were incrementally incurred as a result of the acquisition integration efforts. The Company also recognized acquisition adjustments related to acquisitions for which the purchase allocation period had closed and incurred a loss resulting from a decline in the market value of certain small investments that the Company has liquidated.

Fiscal 2008

During fiscal 2008, the Company incurred restructuring, integration and other charges related to cost reductions required to improve the performance at certain business units and incurred integration costs

AVNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

associated with recently acquired businesses. The activity related to the restructuring reserves is presented in the following table:

	Severance Reserves	Facility Exit Costs	Other	Total
		(Thousands)		
Balance at June 28, 2008	$ 10,477	$ 2,833	$ 1,130	$ 14,440
Amounts utilized	(6,793)	(715)	(740)	(8,248)
Adjustments	(1,229)	(163)	(171)	(1,563)
Other, principally foreign currency translation	(748)	(511)	(107)	(1,366)
Balance at March 28, 2009	$ 1,707	$ 1,444	$ 112	$ 3,263

Cash payments of $8,194,000 are reflected in the amounts utilized during the first nine months of fiscal 2009 and the remaining amounts were related to non-cash asset write downs. The adjustments in the preceding table related to reserves that were deemed excessive and released during the first nine months of fiscal 2009. Management expects the majority of the remaining severance reserves to be utilized in fiscal 2009, the remaining facility exit cost reserves to be utilized by the end of fiscal 2013 and other contractual obligations to be utilized by the end of fiscal 2010.

Fiscal 2007 and prior restructuring reserves

In fiscal year 2007 and prior, the Company incurred restructuring charges under four separate restructuring plans. The table below presents the activity during the first nine months of fiscal 2009 related to reserves established as part of these restructuring plans:

Restructuring charges	FY 2007	Memec FY 2006	Other FY 2006	FY 2004 and 2003	Total
			(Thousands)		
Balance at June 28, 2008	$ 549	$ 45	$ 794	$ 2,571	$ 3,959
Amounts utilized	(262)	(21)	(346)	(797)	(1,426)
Adjustments	(58)				(58)
Other, principally foreign currency translation	(32)	(6)	(5)	(298)	(341)
Balance at March 28, 2009	$ 197	$ 18	$ 443	$ 1,476	$ 2,134

As of March 28, 2009, the remaining FY 2007 reserves related to severance which management expects to utilize by the end of 2009. The remaining Memec FY 2006 reserves related to facility exit costs, which management expects to utilize by fiscal 2010. The Other FY 2006 remaining reserves related to facility exit costs, which management expects

to utilize by fiscal 2013. The remaining reserves for FY 2004 and 2003 restructuring activities related to contractual lease commitments, substantially all of which the Company expects to utilize by the end of fiscal 2010, although a small portion of the remaining reserves relate to lease payouts that extend to fiscal 2012.

Table of Contents

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 third quarters and nine months ended March 28, 2009 and March 29, 2008, 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, 2008.

There are numerous references to the impact of foreign currency translation in the discussion of the Company s results of operations. Over the past several years, the exchange rates between the US Dollar and many foreign currencies, especially the Euro, have fluctuated significantly. For example, the US Dollar has strengthened against the Euro by approximately 12% when comparing the third quarter of fiscal 2009 with the third quarter of fiscal 2008. When the stronger US Dollar exchange rates of the current year are used to translate the results of operations of Avnet s subsidiaries denominated in foreign currencies, the resulting impact is a decrease in US Dollars of reported results as compared with the prior period. In the discussion that follows, this is referred to as the translation impact of changes in foreign currency exchange rates.

In addition to disclosing financial results that are determined in accordance with US generally accepted accounting principles (GAAP), the Company also discloses certain non-GAAP financial information, such as:

Income or expense items as adjusted for the translation impact of changes in foreign currency exchange rates, as discussed above.

Sales adjusted for the impact of acquisitions by adjusting Avnet s prior periods to include the sales of businesses acquired as if the acquisitions had occurred at the beginning of the period presented and, in the discussion that follows, this adjustment for acquisitions is referred to as pro forma sales or organic sales.

Operating income excluding the non-cash goodwill and intangible asset impairment charges incurred in the second quarter of fiscal 2009, for which the impact on the first nine months results is presented in the following table.

First Nine Months Fiscal 2009	Op Income	Pre-tax	Net Income	EPS
	$ in thousands, except per share data			
GAAP results	$ (998,755)	$ (1,058,854)	$ (1,091,584)	$ (7.24)
Impairment charges	1,348,845	1,348,845	1,314,701	8.72
Adjusted results	$ 350,090	$ 289,991	$ 223,117	$ 1.48

Management believes that providing this additional information is useful to the reader to better assess and understand operating performance, especially when comparing results with previous periods or forecasting performance for future periods, primarily because management typically monitors the business both including and excluding these adjustments to GAAP results. Management also uses these non-GAAP measures to establish operational goals and, in some cases, for measuring performance for compensation purposes. However, analysis of results and outlook on a non-GAAP basis should be used as a complement to, and in conjunction with, data presented in accordance with GAAP.

Table of Contents

OVERVIEW

Organization

Avnet, Inc., incorporated in New York in 1955, together with its consolidated subsidiaries (the Company or Avnet), is one of the world s largest industrial distributors, based on sales, of electronic components, enterprise computer and storage products and embedded subsystems. Avnet creates a vital link in the technology supply chain that connects more than 300 of the world s leading electronic component and computer product manufacturers and software developers with a global customer base of more than 100,000 original equipment manufacturers (OEMs), electronic manufacturing services (EMS) providers, original design manufacturers (ODMs), and value-added resellers (VARs). Avnet distributes electronic components, computer products and software as received from its suppliers or with assembly or other value added by Avnet. Additionally, Avnet provides engineering design, materials management and logistics services, system integration and configuration, and supply chain services.

Avnet has two primary operating groups Electronics Marketing (EM) and Technology Solutions (TS). Both operating groups have operations in each of the three major economic regions of the world: the Americas; Europe, the Middle East and Africa (EMEA); and Asia/Pacific, consisting of Asia, Australia and New Zealand (Asia or Asia/Pac). A brief summary of each operating group is provided below:

> EM markets and sells semiconductors and interconnect, passive and electromechanical devices (IP&E) for more than 300 of the world s leading electronic component manufacturers. EM markets and sells its products and services to a diverse customer base serving many end-markets including automotive, communications, computer hardware and peripheral, industrial and manufacturing, medical equipment, military and aerospace. EM also offers an array of value-added services that help customers evaluate, design-in and procure electronic components throughout the lifecycle of their technology products and systems. By working with EM from the design phase through new product introduction and through the product lifecycle, customers and suppliers can accelerate their time to market and realize cost efficiencies in both the design and manufacturing process.
>
> TS markets and sells mid- to high-end servers, data storage, software, and the services required to implement these products and solutions to the VAR channel. TS also focuses on the worldwide OEM market for computing technology, system integrators and non-PC OEMs that require embedded systems and solutions including engineering, product prototyping, integration and other value-added services.

During fiscal year 2008 and 2009, the Company acquired twelve businesses as presented in the table below (see Note 3 to the *Notes to Consolidated Financial Statements* in Item 1 of this Form 10Q).

Acquired Business	Operating Group	Region	Acquisition Date
Flint Distribution Ltd.	EM	EMEA	07/05/07
Division of Magirus Group	TS	EMEA	10/06/07
Betronik GmbH	EM	EMEA	10/31/07
ChannelWorx	TS	Asia/Pac	10/31/07
Division of Acal plc Ltd.	TS	EMEA	12/17/07
YEL Electronics Hong Kong Ltd.	EM	Asia/Pac	12/31/07
Azzurri Technology Ltd.	EM	EMEA	03/31/08
Horizon Technology Group plc	TS	EMEA	06/30/08
Source Electronics Corporation	EM	Americas	06/30/08

Ontrack Solutions Pvt. Ltd.	TS	Asia/Pac	07/31/08
Nippon Denso Industry Co., Ltd	EM	Asia/Pac	12/29/08
Abacus Group plc	EM	EMEA	01/20/09

Results of Operations

Executive Summary

Third quarter of fiscal 2009 results continued to be negatively impacted by the global economic slowdown as end demand in the electronics components business weakened further since the December quarter, in particular in the Americas and EMEA regions, which are the Company s two most profitable regions. Avnet s consolidated sales of $3.70 billion were down 16.3% year over year and down 10.5% excluding the impact of changes in foreign currency exchange rates. Organic sales contracted 22.3%. Even though year-over-year revenue at TS declined 10.8%, TS operating income margin improved year over year. As a result of the continued weakening in demand, the Company announced further cost reduction actions of $75 million; the aggregate cost reduction actions announced since the March quarter of fiscal 2008 is approximately $225 million. Management anticipates all actions to be completed by the end of September 2009 with the full benefit to be realized in the December quarter. For the first nine months of fiscal 2009, sales were down 6.1% year over year and organic sales were down 12.5% year over year.

Gross profit margin for the third quarter of fiscal 2009 was down 59 basis points year over year to 12.5% but was flat sequentially. Gross profit margin at EM was negatively impacted primarily by a combination of competitive pressure, geographic mix and customer mix in the Americas region. At TS, gross profit margin improved 32 basis points year over year. For the first nine months of fiscal 2009, consolidated gross profit margin was 12.7%, down 14 basis points, as compared to the first nine months of the prior fiscal year.

The declines in revenue at the Company s most profitable regions, EM Americas and EM EMEA, resulted in a pronounced negative impact on operating income during the March quarter. Operating income was down 67% to $55.5 million as compared with $166.8 million in the third quarter of prior year. Operating income included restructuring, integration and other items totaling $32.7 million and $10.9 million, respectively, for the current quarter and prior year third quarter. The Company incurred an operating loss of $998.8 million for the first nine months of fiscal 2009, as compared with operating income of $539.8 million in the first nine months of the prior year. As further described below, the Company recognized goodwill and intangible asset impairment charges totaling $1.35 billion pre-tax in the second quarter of fiscal 2009. Excluding the impairment charges for the first nine months of fiscal 2009, the Company would have reported operating income of $350.1 million, representing a 35.1% decline as compared with the first nine months of the prior year.

Net income for the third quarter of fiscal 2009 was $18.0 million, or $0.12 per share, a decrease of 83% year over year. For the first nine months of fiscal 2009, the Company incurred a net loss of $1.09 billion, or $7.24 loss per share, which was the result of the impairment charges incurred in the second quarter of fiscal 2009 as noted above. The net loss for the first nine months of fiscal 2009 included a $21.7 million net tax benefit, or $0.14 per share, primarily related to the settlement of tax audits in Europe and included a tax benefit of only $34.1 million related to the impairment charges as substantially all of the impairment charges were not tax deductible.

The Company continues to focus on managing working capital, and as a result, working capital (defined as trade receivables plus inventory less accounts payable) declined $322.8 million sequentially and declined $401.4 million on a pro forma basis excluding the impact of acquisitions and changes in foreign currency exchange rates. The decline was primarily attributable to lower receivables. The Company generated $473.9 million of cash from operating activities during the third quarter of fiscal 2009 as compared with $156.4 million in the prior year third quarter. On a trailing twelve month basis through the third quarter of fiscal 2009, the Company generated cash from operating activities of $1.05 billion. Although the current economic environment has been challenging, the Company expects to continue to make strategic investments through acquisition activity to the extent the investments strengthen Avnet s competitive position and meet management s return on capital thresholds.

Table of Contents

Sales

The table below presents sales for the Company and its operating groups and pro forma sales which include acquisitions as if they occurred on the first day of fiscal 2008.

	Q3-Fiscal 09	Q3-Fiscal 08	Year-Year % Change (Thousands)	Pro forma Q3-Fiscal 08	Pro forma Year-Year % Change[1]
Avnet, Inc.	$ 3,700,836	$ 4,421,645	(16.3)%	$ 4,762,800	(22.3)%
EM	2,096,595	2,623,750	(20.1)	2,848,630	(26.4)
TS	1,604,241	1,797,895	(10.8)	1,914,170	(16.2)
EM					
Americas	$ 761,532	$ 957,878	(20.5)%	$ 977,607	(22.1)%
EMEA	732,560	968,058	(24.3)	1,138,917	(35.7)
Asia	602,503	697,814	(13.7)	732,106	(17.7)
TS					
Americas	$ 950,793	$ 1,069,505	(11.1)%	$ 1,069,505	(11.1)%
EMEA	517,866	614,597	(15.7)	727,555	(28.8)
Asia	135,582	113,793	19.2	117,110	15.8
Totals by Region					
Americas	$ 1,712,325	$ 2,027,383	(15.5)%	$ 2,047,112	(16.4)%
EMEA	1,250,426	1,582,655	(21.0)	1,866,472	(33.0)
Asia	738,085	811,607	(9.1)	849,216	(13.1)

[1] Year-over-year percentage change is calculated based upon Q3 Fiscal 2009 sales compared to pro forma Q3 2008 sales as presented in the following table:

Q3 Fiscal 08	Reported Sales	Acquisition Sales (Thousands)	Pro forma Sales
Avnet, Inc.	$ 4,421,645	$ 341,155	$ 4,762,800
EM	2,623,750	224,880	2,848,630
TS	1,797,895	116,275	1,914,170

Consolidated sales for the third quarter of fiscal 2009 were $3.70 billion, down 16.3%, or $720.8 million, from the prior year third quarter consolidated sales of $4.42 billion. Excluding the translation impact of changes in foreign currency exchange rates, sales decreased 10.5% year over year. On a pro forma basis, consolidated sales decreased 22.3% year over year.

EM sales of $2.10 billion in the third quarter of fiscal 2009 declined 20.1% over the prior year third quarter sales of $2.62 billion and declined 15.1% excluding the translation impact of changes in foreign currency exchange rates. The decline in revenue was most significant in the Americas and the EMEA regions as the global economic slowdown negatively impacted the broad industrial markets in these regions. Year-over-year sales were down 20.5%, 24.3% and

13.7% in the Americas, EMEA and Asia, respectively. The EMEA results were negatively impacted by the strengthening of the US dollar against the Euro during the third quarter of fiscal 2009 as compared with the prior year third quarter as the EMEA region sales declined 10.3% excluding the translation impact of changes in foreign currency exchange rates. Year-over-year organic sales in the Americas and Asia declined 22.1% and 17.7%, respectively. In the EMEA region, year-over-year organic sales declined 23.8% excluding the translation impact of changes in foreign exchange rates.

TS sales of $1.60 billion in the third quarter of fiscal 2009 were down 10.8% year over year and down 3.8% excluding the translation impact of changes in foreign currency exchange rates. Organic sales declined 16.2% year over year. Although still experiencing revenue contraction, the rate of year-over-year revenue decline at TS flattened out as compared with the December quarter. Year-over-year sales in the Americas and EMEA were down 11.1% and 15.7%, respectively, while Asia sales were up 19.2% as the recent expansion within China and

acquisition in India are beginning to generate revenue. Excluding the impact of changes in foreign currency exchange rates, EMEA year-over-year revenue was up 2.3%. At a product level, TS hardware sales were down in all major categories, server sales were down and software and services were roughly flat year over year.

In response to the continued slowing in organic growth in both operating groups, management has announced additional actions to further reduce costs. See discussion under *Selling, General and Administrative Expenses* later in this MD&A.

Consolidated sales for the first nine months of fiscal 2009 were $12.46 billion, down 6.1%, as compared with sales of $13.27 billion in the first nine months of fiscal 2008. Both operating groups experienced further organic sales contraction in the third quarter of fiscal 2009 which resulted in the year-over-year decline for the first nine months. EM sales of $7.07 billion for the first nine months of fiscal 2009 were down 7.0% as compared with the first nine months of fiscal 2008. TS sales of $5.40 billion were down 4.9% as compared with the first nine months of fiscal 2008. The factors contributing to the decline in sales in both operating groups are consistent with the quarterly sales analysis discussed above.

Gross Profit and Gross Profit Margin

Consolidated gross profit for the third quarter of fiscal 2009 was $462.5 million, down $116.3 million, or 20.1%, over prior year third quarter primarily due to the decline in revenue. Gross profit margin of 12.5% declined 59 basis points over the prior year results, but remained flat sequentially. For EM, gross profit margin was down 100 basis points year over year as it was negatively impacted by the combination of competitive pressure, geographic mix and customer mix in the Americas region. TS gross profit margin was up 32 basis points year over year with both the Americas and EMEA regions contributing to the improvement. Consolidated gross profit and gross profit margin were $1.58 billion and 12.7%, respectively, for the first nine months of fiscal 2009 as compared with $1.70 billion and 12.8%, respectively, for the same period in the prior year. For the first nine months of fiscal 2009, EM gross profit margin decreased 43 basis points year over year and TS gross profit margin increased 29 basis points year over year.

Selling, General and Administrative Expenses

Selling, general and administrative expenses (SG&A expenses) were $407.0 million in the third quarter of fiscal 2009, a decrease of $5.0 million, or 1.2%, over the prior year quarter. SG&A expenses included restructuring, integration and other costs which amounted to $32.7 million pre-tax, $22.3 million after tax and $0.15 per share during the third quarter of fiscal 2009 as compared with $10.9 million pre-tax, $7.5 million after tax and $0.05 per share on a diluted basis in the prior year third quarter. Metrics that management monitors with respect to its operating expenses are SG&A expenses as a percentage of sales and as a percentage of gross profit. In the third quarter of fiscal 2009, SG&A expenses were 11.0% of sales and 88.0% of gross profit as compared with 9.3% and 71.2%, respectively, in the third quarter of fiscal 2008.

The Company has initiated significant cost reduction actions over the past four quarters in order to realign its expense structure with market conditions; however, the precipitous decline in revenue has more than offset the beneficial impact of the cost reduction actions undertaken to date. In the third quarter of prior year, the Company began to experience demand weakness and organic sales growth at both EM and TS continued to slow through the first quarter of fiscal 2009. In the second quarter of fiscal 2009, the Company experienced continued sales deceleration in both operating groups, particularly in November in the Asia region and in December in the Americas region. During the third quarter of fiscal 2009, end demand in the EM business deteriorated even further, in particular in EM Americas and EM EMEA which have been the Company s most profitable regions. As a result of the declining market conditions through mid-March, the Company was undertaking actions to reduce costs by approximately $200 million on an annualized basis and expected such actions to be completed by the end of the June quarter. However, based upon third

quarter results, the Company announced further actions to reduce annualized costs by an additional $25 million, bringing the aggregate annual cost reductions announced to approximately $225 million since March 2008. As of the end of the third quarter of fiscal 2009, management estimates that approximately $120 million in annualized cost savings have been achieved. The remaining cost

reduction actions are anticipated to be complete by the end of September 2009 with the full benefit of the cost savings expected to be reflected in the December quarter of fiscal 2010.

SG&A expenses for the first nine months of fiscal 2009 were $1.23 billion, or 9.9% of consolidated sales, as compared with $1.16 billion, or 8.8% of consolidated sales, in the first nine months of the prior year. SG&A expenses were 77.8% and 68.3% of gross profit in the first nine months of fiscal 2009 and 2008, respectively.

Impairment Charges

During the second quarter of fiscal 2009, the Company recognized non-cash goodwill and intangible asset impairment charges totaling $1.35 billion pre-tax, $1.31 billion after tax and $8.72 per share.

In accordance with SFAS 142, *Goodwill and Other Intangible Assets*, the Company performs its annual goodwill impairment test on the first day of its fiscal fourth quarter. In addition, if and when events or circumstances change that would more likely than not reduce the fair value of any of its reporting units below its carrying value, an interim test would be performed. Since the end of September 2008, the Company s market capitalization declined steadily, which was relatively in line with the decline in the overall market, and was significantly below book value during the second quarter due primarily to the global economic downturn s impact on the Company s performance and the turmoil in the equity markets. As a result of these events, the Company determined an interim impairment test was necessary and performed the interim test on all six of its reporting units as of December 27, 2008. Based on the test results, the Company determined that goodwill at four of its reporting units was impaired. Accordingly, during the second quarter of fiscal 2009, the Company recognized a non-cash goodwill impairment charge of $1.32 billion pre-tax, $1.28 billion after tax and $8.51 per share to write off all goodwill related to its EM Americas, EM Asia, TS EMEA and TS Asia reporting units. The non-cash charge had no impact on the Company s compliance with debt covenants, its cash flows or available liquidity, but did have a material impact on its consolidated financial statements.

In accordance with SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Company also evaluated the recoverability of its long-lived assets at each of the four reporting units where goodwill was deemed to be impaired. Based upon this evaluation, the Company determined that certain of its amortizable intangible assets were impaired. As a result, the Company recognized a non-cash intangible asset impairment charge of $31.4 million pre- and after tax and $0.21 per share.

Operating Income (Loss)

During the third quarter of fiscal 2009, the Company had operating income of $55.5 million, down 66.7% as compared with operating income of $166.8 million in the prior year third quarter. Consolidated operating income margin was 1.5% as compared with 3.8% in the prior year third quarter. EM operating income declined 61.2% to $59.6 million and operating income margin of 2.8% was down 301 basis points from the third quarter of fiscal 2008. Although the cost reduction actions at EM provided the expected benefit to operating income, the accelerated decline in revenue in the Americas and EMEA regions was a significant factor in the year-over-year decline operating income in EM as these two regions, which are its most profitable regions, accounted for over 75% of the decline. TS operating income of $42.2 million, was up 2.0% year over year and operating income margin of 2.6% improved 33 basis points over the prior year third quarter. Corporate operating expenses were $13.6 million in the third quarter of fiscal 2009 as compared with $17.3 million in the third quarter of fiscal 2008. In addition, during the third quarter of fiscal 2009, restructuring, integration and other charges amounted to $32.7 million pre-tax, $22.3 million after tax and $0.15 per share as compared with $10.9 million pre-tax, $7.5 million and $0.05 per share on a diluted basis.

During the first nine months of fiscal 2009, the Company recorded an operating loss of $998.8 million including the non-cash impairment charges noted above totaling $1.35 billion for the first nine months of fiscal 2009 which

significantly impacted the year-to-date operating results. Excluding the impairment charges, operating income for the first nine months of fiscal 2009 was $350.1 million, or 2.8% of consolidated sales, as compared with operating income of $539.8 million, or 4.1% of consolidated sales, in the first nine months of fiscal 2008. The 126 basis point decrease in operating income margin as compared with the first nine months of fiscal 2008 is similarly a function of factors discussed in the quarterly analysis.

Interest Expense and Other Income (Expense), net

Interest expense for the third quarter of fiscal 2009 was $17.6 million, down $1.1 million, or 5.8%, from interest expense of $18.7 million in the third quarter of fiscal 2008. Interest expense for the first nine months of fiscal 2009 was $51.9 million, down $3.0 million, or 5.4%, as compared with interest expense of $54.9 million for the first nine months of fiscal 2008. The year-over-year decrease in interest expense for the first nine months of fiscal 2009 was primarily the result of lower average short-term debt outstanding and lower short-term interest rates. See *Financing Transactions* for further discussion of the Company s outstanding debt.

During the third quarter of fiscal 2009, the Company recognized $8.4 million in other expense as compared with other income of $6.2 million in the third quarter of the prior year. For the first nine months of fiscal 2009, the Company recognized $8.2 million in other expense as compared with other income of $21.8 million in the prior year. The year-over-year swing was primarily due to the negative impacts of foreign currency losses in fiscal 2009 as compared with income recognized in fiscal 2008 related to the earnings stream from the Company s equity investment which was sold in April 2008, interest income and foreign currency exchange gains.

Gain on Sale of Assets

During the first nine months of fiscal 2008, the Company recognized a gain on sale of assets totaling $7.5 million pre-tax, $6.3 million after-tax and $0.04 per share on a diluted basis. In October 2007, the Company sold a building in the EMEA region and recognized a gain of $4.5 million pre- and after tax and $0.03 per share on a diluted basis. Due to local tax allowances, the gain on the building sale was not taxable. During that time period the Company also recognized a gain of $3.0 million pre-tax, $1.8 million after-tax and $0.01 per share on a diluted basis for the receipt of contingent purchase price proceeds related to a prior sale of a business.

Income Tax Provision

Avnet s effective tax rate on its income before income taxes was 38.9% in the third quarter of fiscal 2009 as compared with 30.5% in the third quarter of fiscal 2008. The year-over-year increase in the effective tax rate was primarily driven by $4.5 million, or $0.03 per share, of additional tax reserves for contingencies related to a prior acquisition, partially offset by a tax benefit for interest on a tax settlement. For the first nine months of fiscal 2009 and 2008, the Company s effective tax rate was 3.1% and 31.0%, respectively. During the first nine months of fiscal 2009, the Company recognized a net tax benefit of $21.7 million, or $0.14 per share, related primarily to the release of tax reserves due to the settlement of certain tax audits in Europe and also recognized a net tax benefit of $34.1 million related to the non-cash impairment charges, substantially all of which was not tax deductible. In the first nine months of prior year, the effective tax rate was positively impacted by a benefit from the non-taxable gain on sale of a building as previously described in ***Gain on Sale of Assets.***

Net Income (Loss)

As a result of the operational performance and other factors described in the preceding sections of this MD&A, the Company s consolidated net income for the third quarter of fiscal 2009 was $18.0 million, or $0.12 per share, as compared with $107.2 million, or $0.71 per share on a diluted basis, in the prior year third quarter. For the first nine months of fiscal 2009, the Company recognized a net loss of $1.09 billion, or $7.24 per share, including the goodwill impairment charge noted above, as compared with net income of $355.0 million, or $2.33 per share on a diluted basis for the first nine months of fiscal 2008.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Cash Flow from Operating Activities

During the third quarter and first nine months of fiscal 2009, the Company generated $473.9 million and $788.1 million, respectively, of cash and cash equivalents from its operating activities as compared with $156.4 million and $196.4 million, respectively, in the third quarter and first nine months of fiscal 2008. These

results are comprised of: (1) cash flow generated from net income excluding non-cash and other reconciling items, which includes the add-back of depreciation and amortization, deferred income taxes, stock-based compensation, non-cash impairment charges, and other non-cash items (primarily the provision for doubtful accounts and periodic pension costs) and (2) cash flow generated from a reduction of working capital, excluding cash and cash equivalents. Cash generated from working capital during the third quarter of fiscal 2009 was the result of $583.1 million reduction of receivables, a $197.4 million reduction in inventory; both of which were partially offset by payments on accounts payable ($374.3 million). For the trailing twelve months, the Company has generated over $1 billion of cash from operating activities which was primarily a result of effective working capital management where working capital was reduced to align with declining revenues. During the first nine months of fiscal 2009, working capital velocity was just over six times despite the significant decline in revenues. In addition, although receivable days have increased just over two days as compared with the prior year third quarter, the Company has not experienced any significant changes in delinquencies.

Comparatively, the working capital outflow in the third quarter of fiscal 2008 consisted of collection of receivables ($479.2 million) offset by cash used for inventories ($48.3 million), accounts payable ($318.0 million) and other items ($97.9 million). For TS, cash collections during the third quarter of fiscal 2008 of its seasonally strong December quarter sales more than offset the settlement of payables and accruals. At EM, receivable and inventory grew but were offset by an increase in its payables balances. The increase in EM inventory was primarily due to the lower than expected revenue performance for the quarter.

Cash Flow from Financing Activities

The Company utilized cash of $320.1 million and $329.3 million related to net repayments of notes and bank credit facilities during the third quarter and first nine months of fiscal 2009, respectively. In March 2009, $298.1 million of the 2% Convertible Senior Debentures due March 15, 2034 (the Debentures) were put back to the Company. As a result of the substantial cash generation from operating activities during the quarter, the Company was able to use cash on hand to settle the $298.1 million of Debentures principal plus accrued interest. During the third quarter and first nine months of fiscal 2008, the Company paid $81.3 million and $21.1 million, respectively, for net debt repayments for foreign bank facilities.

Cash Flow from Investing Activities

The Company used $97.1 million of cash related to acquisitions during the third quarter of fiscal 2009 and used $309.9 million for acquisitions during the first nine months of fiscal 2009. Also, during the third quarter and first nine months of fiscal 2009, the Company utilized $39.7 million and $89.3 million, respectively, of cash for capital expenditures related to system development costs, computer hardware and software as well as expenditures related to warehouse construction costs. During the third quarter and first nine months of fiscal 2008, the Company used $97.0 million and $349.7 million, respectively, of cash for acquisitions. Other investing activities in fiscal 2008 included capital expenditures primarily for system development costs, computer hardware and software.

Capital Structure and Contractual Obligations

The following table summarizes the Company s capital structure as of the end of the third quarter of fiscal 2009 with a comparison to fiscal 2008 year-end:

	March 28, 2009	% of Total Capitalization	June 28, 2008	% of Total Capitalization
		(Dollars in thousands)		

Short-term debt	$ 97,062	2.6%	$ 43,804	0.8%
Long-term debt	942,700	24.9	1,181,498	22.1
Total debt	1,039,762	27.5	1,225,302	22.9
Shareholders equity	2,747,087	72.5	4,134,691	77.1
Total capitalization	$ 3,786,849	100.0	$ 5,359,993	100.0

For a description of the Company s long-term debt and lease commitments for the next five years and thereafter, see *Long-Term Contractual Obligations* appearing in Item 7 of the Company s Annual Report on Form 10-K for the year ended June 28, 2008. With the exception of the Company s debt transactions discussed herein, there are no material changes to this information outside of normal lease payments.

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

Financing Transactions

The Company has a five-year $500.0 million unsecured revolving credit facility (the Credit Agreement) with a syndicate of banks which expires in September 2012. Under the Credit Agreement, the Company may elect from various interest rate options, currencies and maturities. As of the end of the third quarter of fiscal 2009, there were $31.5 million in borrowings outstanding under the Credit Agreement included in other long-term debt in the consolidated financial statements. In addition, there were $1.5 million in letters of credit issued under the Credit Agreement which represent a utilization of the Credit Agreement capacity but are not recorded in the consolidated balance sheet as the letters of credit are not debt. As of the end of fiscal 2008, there were $19.7 million in borrowings outstanding and $24.3 million in letters of credit issued under the Credit Agreement.

The Company has a $450 million accounts receivable securitization program (the Securitization Program) with a group of financial institutions that allows the Company to sell, on a revolving basis, an undivided interest in eligible receivables while retaining a subordinated interest in a portion of the receivables. The Securitization Program does not qualify for sale accounting and has a one year term that expires in August 2009. There were no borrowings outstanding under the Securitization Program at March 28, 2009.

Substantially all of the 2% Debentures were put to the Company by holders of the Debentures who exercised their right to require the Company to purchase the Debentures for cash on March 15, 2009 at the Debentures full principal amount plus accrued and unpaid interest. As a result of the substantial cash generation from operating activities during the third quarter of fiscal 2009, the Company paid $298.1 million plus accrued interest using cash on hand. The remaining $1.9 million of the Debentures that were not put to the Company in March were repaid on April 30, 2009 and, as a result, were classified as short-term debt as of March 28, 2009.

In addition to its primary financing arrangements, the Company has several small lines of credit in various locations globally to fund the short-term working capital, foreign exchange, overdraft and letter of credit needs of its wholly owned subsidiaries in Europe, Asia and Canada. Avnet generally guarantees its subsidiaries debt under these facilities.

Covenants and Conditions

The Securitization Program discussed previously requires the Company to maintain certain minimum interest coverage and leverage ratios as defined in the Credit Agreement (see discussion below) in order to continue utilizing the Securitization Program. The Securitization Program also contains certain covenants relating to the quality of the receivables sold. If these conditions are not met, the Company may not be able to borrow any additional funds and the financial institutions may consider this an amortization event, as defined in the agreement, which would permit the financial institutions to liquidate the accounts receivables sold to cover any outstanding borrowings. Circumstances that could affect the Company s ability to meet the required covenants and conditions of the Securitization Program include the Company s ongoing profitability and various other economic, market and industry factors. Management does not believe that the covenants under the Securitization Program limit the Company s ability to pursue its intended business strategy or future financing needs. The Company was in compliance with all covenants of the Securitization Program at March 28, 2009.

The Credit Agreement discussed in *Financing Transactions* contains certain covenants with various limitations on debt incurrence, dividends, investments and capital expenditures and also includes financial covenants requiring the Company to maintain minimum interest coverage and leverage ratios, as defined. Management does not believe that the covenants in the Credit Agreement limit the Company s ability to pursue its intended business strategy or future financing needs. The Company was in compliance with all covenants of the Credit Agreement as of March 28, 2009.

Table of Contents

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

Liquidity

The Company had total borrowing capacity of $950.0 million at March 28, 2009 under the Credit Agreement and the Securitization Program. There were $31.5 million in borrowings outstanding and $1.5 million in letters of credit issued under the Credit Agreement resulting in $917.0 million of net availability at the end of the third quarter of fiscal 2009. The Company also had $685.7 million of cash and cash equivalents at March 28, 2009.

During the first nine months of fiscal 2009, the Company utilized approximately $309.9 million of cash and cash equivalents, net of cash acquired, for acquisitions. Although the markets have continued to be challenging, the Company expects to continue to make strategic investments through acquisition activity to the extent the investments strengthen Avnet s competitive position and meet management s return on capital thresholds.

The Company has no other significant financial commitments outside of normal debt and lease maturities discussed in *Capital Structure and Contractual Obligations.* Management believes that Avnet s borrowing capacity, its current cash availability and the Company s expected ability to generate operating cash flows are sufficient to meet its projected financing needs. Generally, the Company is more likely to utilize operating cash flows for working capital requirements during a high growth period in the electronic component and computer products industry. During the first nine months of fiscal 2009, the Company experienced weakening demand, as previously discussed in this MD&A. As a result of the Company s continued focus on managing working capital, the Company generated $473.9 million and $788.1 million of cash from operating activities during the third quarter and first nine months of fiscal 2009, respectively. Management currently expects to continue to generate cash from operating activities in the near future due in part to management s expectation that demand will continue to weaken over the next couple of quarters.

As previously mentioned, the 2% Debentures were put to the Company by holders of the Debentures who exercised their right to require the Company to purchase the Debentures for cash on March 15, 2009 at the Debentures full principal amount plus accrued and unpaid interest. As a result of the substantial cash generation from operating activities during the third quarter of fiscal 2009, the Company paid $298.1 million plus accrued interest using cash on hand. The remaining $1.9 million of Debentures that were not put to the Company in March were paid on April 30, 2009 and, as a result, were classified as short-term debt as of March 28, 2009.

The following table highlights the Company s liquidity and related ratios as of the end of the third quarter of fiscal 2009 with a comparison to the fiscal 2008 year-end:

COMPARATIVE ANALYSIS LIQUIDITY
(Dollars in millions)

	March 28, 2009	June 28, 2008	Percentage Change
Current Assets	$ 5,082.9	$ 5,971.1	(14.9)%
Quick Assets	3,346.1	4,007.9	(16.5)
Current Liabilities	2,421.4	2,779.6	(12.9)
Working Capital[(1)]	2,661.5	3,191.5	(16.6)
Total Debt	1,039.8	1,225.3	(15.1)
	3,786.8	5,360.0	(29.4)

Total Capital (total debt plus total shareholders equity)		
Quick Ratio	1.4:1	1.4:1
Working Capital Ratio	2.1:1	2.1:1
Debt to Total Capital	27.5%	22.9%

(1) This calculation of working capital is defined as current assets less current liabilities.

The Company s quick assets (consisting of cash and cash equivalents and receivables) decreased 16.5% from June 28, 2008 to March 28, 2009 primarily due to collections of receivables. Current assets declined 14.9% due to the

collection of receivables and a decline in inventory. Current liabilities declined 12.9% primarily due to payments of accounts payable which is consistent with the decline in inventory levels. As a result of the factors noted above, total working capital decreased by 16.6% during the first nine months of fiscal 2009. Total debt decreased by 15.1% since the end of fiscal 2008 primarily due to the extinguishment of $298.1 million of the 2% Debentures. Total capital decreased 29.4% since the end of fiscal 2008 and the debt to capital ratio increased to 27.5% primarily as a result of the non-cash impairment charges recognized in the second quarter of fiscal 2009 as discussed previously in this MD&A.

Recently Issued Accounting Pronouncements

In April 2009, the Financial Accounting Standards Board (FASB) issued FSP 141R-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination that Arise from Contingencies* (FSP 141R). FSP 141R-1 amends and clarifies SFAS 141R to address application issues associated with initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. FSP 141R-1 is effective beginning in the Company s fiscal year 2010. The adoption of FSP 141R-1 is not expected to have a material impact on the Company s consolidated financial statements.

In April 2009, the FASB issued FSP FAS 107-1, APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*, (FSP 107-1, 28-1). FSP 107-1, 28-1 requires disclosure about fair value of financial instruments in interim financial statements in order to provide more timely information about the effects of current market conditions on financial instruments. FSP 107-1, 28-1 is effective beginning the Company s first interim period of fiscal 2010. The adoption of this FSP is not expected to have a material impact on the Company s consolidated financial statements.

In May 2008, the FASB issued FSP Accounting Principles Board 14-1 *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)* (FSP APB 14-1). FSP APB 14-1 requires the issuer of certain convertible debt instruments that may be settled in cash (or other assets) on conversion to separately account for the liability (debt) and equity (conversion option) components of the instrument in a manner that reflects the issuer s non-convertible debt borrowing rate. FSP APB 14-1 is effective for fiscal years beginning after December 15, 2008 on a retrospective basis, and as such, will be effective beginning in the Company s fiscal year 2010. As of April 30, 2009, the 2% Senior Debentures, to which this pronouncement would have applied, were extinguished. Therefore, the adoption of FSP APB 14-1 will not have an impact on the Company s fiscal 2010 consolidated financial statements; however, it will have an impact on its previously reported consolidated financial statements due to the required retrospective application in periods when the Debentures were outstanding.

In March 2008, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 161 *Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133* (SFAS 161). SFAS 161 requires enhanced disclosures about the objectives of derivative instruments and hedging activities, the method of accounting for such instruments under SFAS 133 and its related interpretations, and a tabular disclosure of the effects of such instruments and related hedged items on an entity s financial position, financial performance and cash flows. SFAS 161 is effective for periods beginning after November 15, 2008, and as such, will be effective beginning in the Company s third quarter of fiscal year 2009. The adoption of SFAS 161 did not have a material impact on the Company s consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007) *Business Combinations* (SFAS 141R). SFAS 141R establishes the requirements for how an acquirer recognizes and measures the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree and the goodwill acquired. SFAS 141R requires acquisition costs be expensed instead of capitalized as is required currently under SFAS 141 and also establishes disclosure requirements for business combinations. SFAS 141R applies to business combinations for which the acquisition date is on or after fiscal years beginning on or after December 15, 2008, and as such, SFAS 141R is

effective beginning in the Company s fiscal year 2010. Although the Company is still evaluating the potential impact on its consolidated financial statements upon adoption of SFAS 141R, it does expect that, based upon the Company s level of acquisition activity, there may be an impact to its consolidated statement of operations.

In December 2007, the FASB issued SFAS No. 160 *Non-controlling Interests in Consolidated Financial Statements an amendment to ARB No. 51* (SFAS 160). SFAS 160 will change the accounting and reporting for minority interests, which will now be termed non-controlling interests. SFAS 160 requires non-controlling

interests to be presented as a separate component of equity and requires the amount of net income attributable to the parent and to the non-controlling interest to be separately identified on the consolidated statement of operations. SFAS 160 is effective for fiscal years beginning on or after December 15, 2008, and as such, will be effective beginning in the Company s fiscal year 2010. The adoption of SFAS 160 is not expected to have a material impact on the Company s consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information. In February 2008, the FASB issued FASB Staff Position 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13*. (FSP 157-1). FSP 157-1 amends SFAS 157 to exclude leasing transactions accounted for under SFAS 13 and related guidance from the scope of SFAS 157. In February 2008, the FASB issued FASB Staff Position 157-2 (FSP 175-2), *Effective Date of FASB Statement 157*, which delays the effective date of SFAS 157 for all non-financial assets and non-financial liabilities, except for items that are recognized or disclosed as fair value in the financial statements on a recurring basis (at least annually). SFAS 157 is effective for fiscal year 2009, however, FSP 157-2 delays the effective date for certain items to fiscal year 2010. The adoption of SFAS 157 for financial assets and liabilities did not have a material impact on the Company s consolidated financial statements.

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

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

See Item 7A, *Quantitative and Qualitative Disclosures About Market Risk*, in the Company s Annual Report on Form 10-K for the year ended June 28, 2008 for further discussion of market risks associated with interest rates and foreign currency exchange. Avnet s exposure to foreign exchange risks have not changed materially since June 28, 2008 as the Company continues to hedge the majority of its foreign exchange exposures. Thus, any increase or decrease in fair value of the Company s foreign exchange contracts is generally offset by an opposite effect on the related hedged position.

See *Liquidity and Capital Resources Financing Transactions* appearing in Item 2 of this Form 10-Q for further discussion of the Company s financing facilities and capital structure. As of March 28, 2009, 83% of the Company s debt bears interest at a fixed rate and 17% of the Company s debt bears interest at variable rates. Therefore, a hypothetical 1.0% (100 basis point) increase in interest rates would result in a $0.4 million impact on income before income taxes in the Company s consolidated statement of operations for the quarter ended March 28, 2009.

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

reported, within the time periods specified by the Securities and Exchange Commission s rules and forms and is accumulated and communicated to management, including the Company s principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

During the third quarter of fiscal 2009, there were no changes to the Company s internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

Table of Contents

PART II

OTHER INFORMATION

Item 1. ***Legal Proceedings***

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

Pursuant to SEC regulations, including but not limited to Item 103 of Regulation S-K, the Company regularly assesses the status of and developments in pending environmental legal proceedings to determine whether any such proceedings should be identified specifically in this discussion of legal proceedings, and has concluded that no particular pending environmental legal proceeding requires public disclosure. Based on the information known to date, management believes that the Company has appropriately accrued in its consolidated financial statements for its share of the estimated costs associated with the environmental clean up of sites in which the Company is participating.

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

Item 1A. ***Risk Factors***

This Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended, 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, should, will, may, estimates or si 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. Any forward-looking statement speaks only as of the date on which that statement is made. The Company assumes no obligation to update any forward-looking statement to reflect events or circumstances that occur after the date on which the statement is made.

The discussion of Avnet s business and operations should be read together with the risk factors contained in Item 1A of its 2008 Annual Report on Form 10-K, filed with the Securities and Exchange Commission, which describe various risks and uncertainties to which the Company is or may become subject. These risks and uncertainties have the potential to affect Avnet s business, financial condition, results of operations, cash flows, strategies or prospects in a material and adverse manner. As of March 28, 2009, there have been no material changes to the risk factors set forth in the Company s 2008 Annual Report on Form 10-K, other than as presented below:

The current global economic downturn has affected the Company s financial results and management can offer no assurance that these conditions either will improve in the near future or will not worsen.

Beginning with the third quarter of fiscal 2008, the Company s financial results were negatively impacted by the global economic slowdown as it experienced a rapid decline in end market demand in first in its Technology Solutions operating group and then in its Electronics Marketing operating group. Deterioration in the financial and credit markets heightens the risk of reduced corporate spending on information technology, and continued market weakness may result in a more competitive environment and lower sales. Although management will continue to take corrective action to better align our cost structure with current market conditions, the benefits from these cost

Table of Contents

reductions may take longer to fully realize or otherwise may not fully mitigate the impact of the reduced demand in the electronics supply chain.

An industry down-cycle in semiconductors could significantly affect the Company s operating results as a large portion of our revenues comes from sales of semiconductors, which has been a highly cyclical industry.

The semiconductor industry historically has experienced periodic fluctuations in product supply and demand, often associated with changes in technology and manufacturing capacity, and is generally considered to be highly cyclical. During each of the last three fiscal years, sales of semiconductors represented over 50% of the Company s consolidated sales, and the Company s revenues, particularly those of EM, closely follow the strength or weakness of the semiconductor market. Future downturns in the technology industry, particularly in the semiconductor sector, could negatively affect the Company s operating results and negatively impact the Company s ability to maintain its current profitability levels.

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

The following table includes the Company s monthly purchases of common stock during the third quarter ended March 28, 2009:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs
January	7,900	$ 17.72		
February	8,800	$ 20.79		
March	8,900	$ 16.91		

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

Item 6. ***Exhibits***

Exhibit Number	Exhibit
31.1*	Certification by Roy Vallee, Chief Executive Officer, under Section 302 of the Sarbanes-Oxley Act of 2002.

31.2*	Certification by Raymond Sadowski, Chief Financial Officer, under Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification by Roy Vallee, Chief Executive Officer, under Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification by Raymond Sadowski, Chief Financial Officer, under Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

** Furnished herewith.

Table of Contents

SIGNATURE

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

AVNET, INC.
(Registrant)

By: /s/ RAYMOND SADOWSKI
Raymond Sadowski
Senior Vice President and
Chief Financial Officer

Date: May 5, 2009