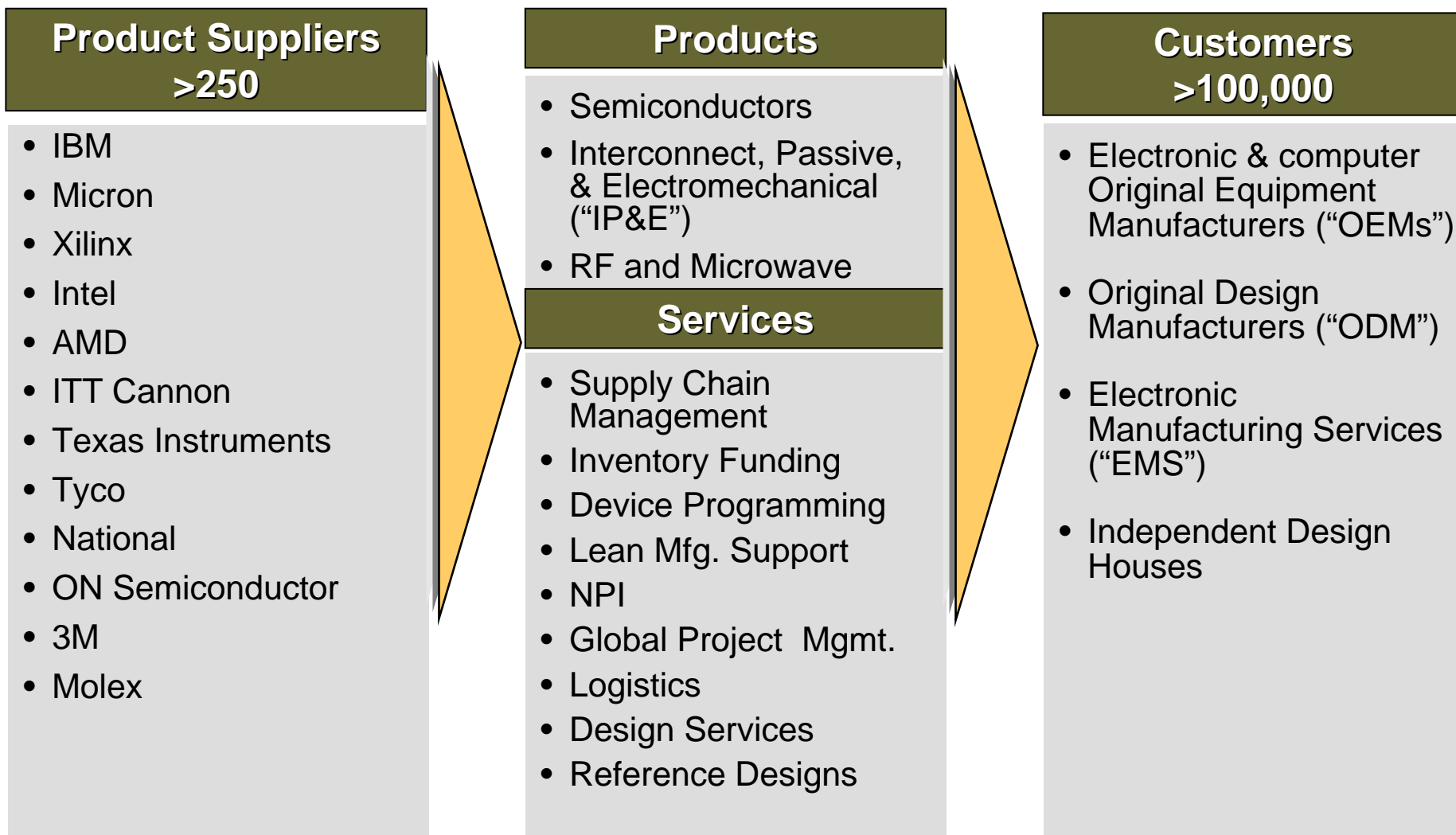


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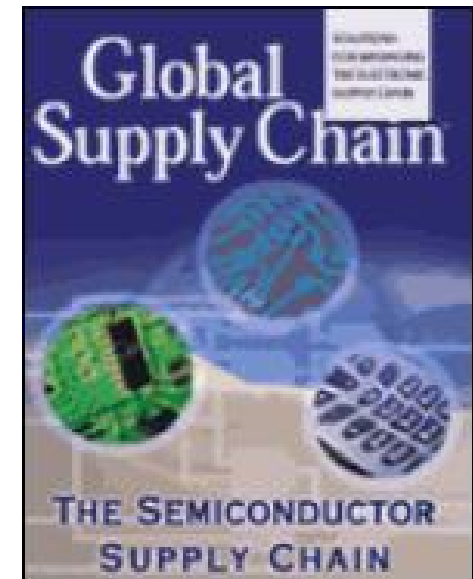
Global Supply Chain Migration

The Technology Supply Chain



Supply Chain Value Proposition

- Supplier Consolidation
- Forecast Consolidation
- Postponement
- Working Capital
- Economies of Scale
- Liability Mitigation
- Standing Inventory
- Global Supply Chain Migration Services



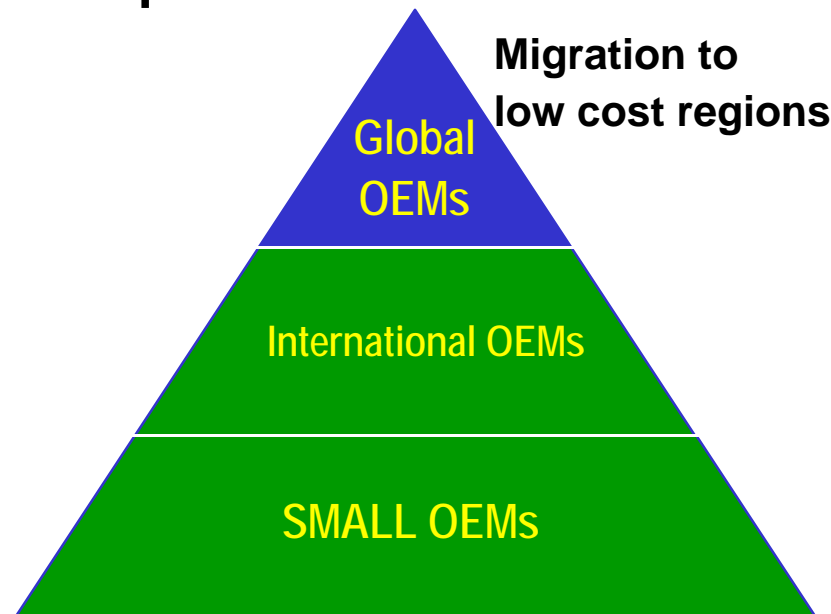
Avnet EM Worldwide Locations



- Customers in 68 Countries

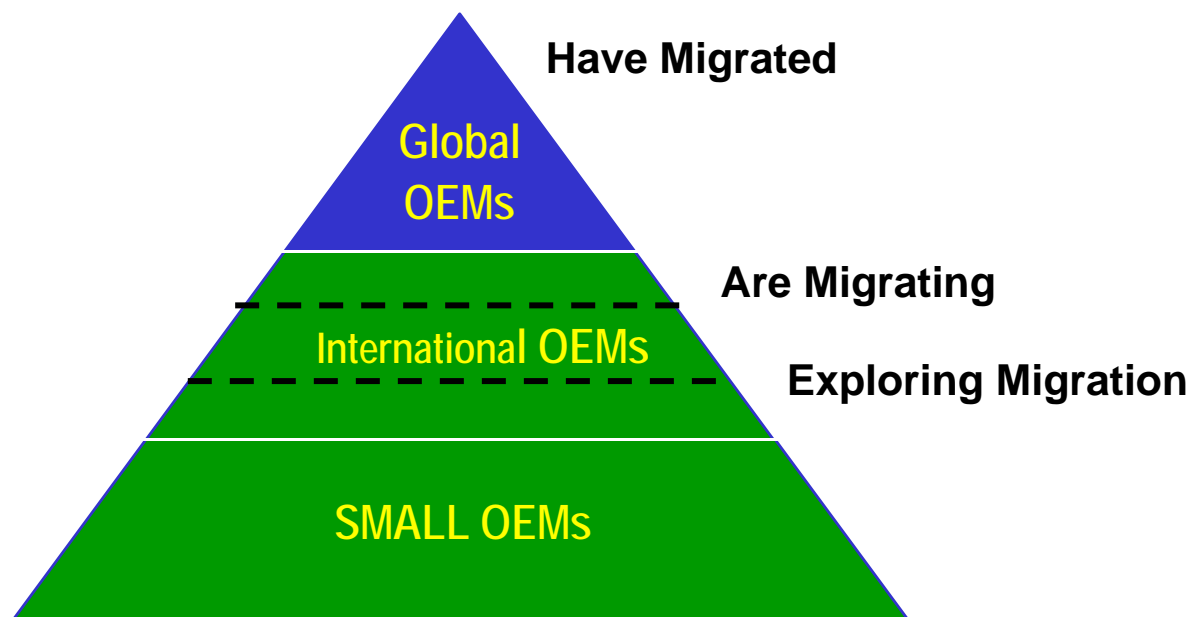
Global OEMs and Supply Chain Migration

- The majority of Large OEMs have a strategic plan to migrate manufacturing to low cost regions.
 - ~ Their goal has been to not only take advantage of lower costs, but to penetrate new markets by manufacturing in Country/Region.
 - ~ The strategy is ongoing, but largely completed in the Tier 1 Space.



International OEMs and Supply Chain Migration

- An increasing number of Medium OEMs are either on that strategic migration path or are exploring the strategy



There are significant business challenges that surround the migration of manufacturing to low cost regions.....

- Sampling of categories:
 - ~ EMS Selection
 - ~ Continuity of Supply Chain
 - ~ IP Protection
 - ~ Finance
 - ~ Logistics
 - ~ Foreign Trade
- And of course Communication**

While Global OEMs face issues in migrating manufacturing to low cost regions, their size provides leverage with their supplier partners to increase the probability of success.

- EMS Providers:
 - ~ Engagements with the top tier EMS Companies.
 - ~ Volume leverages priority at corporate and site levels
- Component Suppliers:
 - ~ Direct supplier engagement globally
 - ~ Technology/Engineering support continues despite design and production being geographically separated
 - ~ Pricing Model
- Large OEMs also have a staffing advantage to deal with many of the other issues and processes.

International OEMs face the business challenges mentioned earlier.....

- **EMS Selection**
- **Continuity of Supply Chain**
- **IP Protection**
- **Finance**
- **Logistics**
- **Foreign Trade**
- **Communication**

..... **And Typically lack the size leverage of the large OEMs, thus creating additional complexity in addressing issues and presenting even more challenges.**

International OEMs

- OEM Scenario
 - ~ Based in North America or Western Europe
 - ~ Highly Competitive Market Environment
 - ~ Sells their End Product Internationally
 - ~ Bulk of Manufacturing done in Home Region
 - ~ Desire Greater Global Market Penetration
 - ~ Want Advantage of Low Cost Manufacturing without Closing their Domestic Factory(s)
 - ~ Using, or will use EMS, ODM and IDH
 - ~ Desire Technical Support from Suppliers, typically Distribution
 - ~ Desire “Command and Control” of Supply Chain
 - ~ Global Strategy, Regionally Executed

Centralized “Command and Control”

- OEM will have an extended supply chain
- OEM wants to duplicate Regional supply chain globally
- Individual sites/EMS will be responsible for the tactical execution of the supply chain
- OEM wants to retain “Control” of the supply base and the strategic component suppliers guaranteeing engineering/technical support
- OEM wants to be the last oversight in determining where material goes in an allocated environment
- OEM desires centralized information to establish the “Command” portion of the equation

What is Desired from Avnet

- Continued Engineering Support
 - ~ Primarily in Home Region
- Same Product Lines Globally
- Similar Forecast Driven Supply Chain Model
 - ~ POURS, Stores, Consignment
- Command and Control in Home region
 - ~ Reporting
 - ~ Problem Resolution
 - ~ Supplier Strategy
- Assistance in EMS Selection (Increasing amount)
- Customer Statement “ We do not want anything to change, but the added ability to manufacture anywhere in the world with the same Supply Chain”

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Thank You.