

Second-Quarter

2015

CFO Commentary

As reflected in our earnings release, there are a number of items that impact the comparability of our results with those in the trailing quarter and prior quarter of last year. Any discussion of our results will exclude these items to give you a better sense of our operating results. As always, the operating information we provide to you should be used as a complement to GAAP numbers. For a complete reconciliation between our GAAP and non-GAAP results, please refer to our earnings release and the earnings reconciliation found at the end of this document.

The following reported and adjusted information included in this CFO commentary is unaudited and should be read in conjunction with the Form 10-Q for the quarterly period ended June 27, 2015 and the company's 2014 Annual Report on Form 10-K as filed with the Securities and Exchange Commission.

In the second quarter we delivered sales and EPS above the midpoints of our prior guidance ranges.

Second-Quarter Summary

In the second quarter we executed well on our strategic initiatives, continued to deliver best-in-class financial performance, and returned substantial capital to our shareholders through our buyback program.

Second-quarter sales were \$5.83 billion advancing 3% year over year. Sales, adjusted for the impact of acquisitions and changes in foreign currencies, also advanced 3% year over year. Operating income was \$238 million, an 11% increase year over year adjusted for currency. Operating margins advanced year over year as well, increasing by 10 basis points to 4.1%. Trailing 12-month cash generated from operating activities was \$609 million. Returns increased year over year with return on invested capital of 10.8% up 30 basis points and return on working capital of 27.7% up 50 basis points.

Global components sales were \$3.70 billion. Sales increased 3% year over year adjusted for the impact of acquisitions and changes in foreign currencies. The overall market for our global components business remains stable, with lead times and customer order patterns operating in normal ranges. Second-quarter book-to-bill was 1.02. In the Americas, our sales were flat year over year. Sales in our core Americas components business grew 3% year over year. In Europe, sales increased 11% year over year adjusted for the impact of acquisitions and changes in foreign currencies. In Asia, sales increased 4% year over year adjusted for the impact of acquisitions and changes in foreign currencies. Global components operating margin of 4.8% increased 20 basis points year over year.

In enterprise computing solutions, sales of \$2.13 billion increased 2% year over year adjusted for the impact of acquisitions and changes in foreign currencies. On a six-month basis, sales increased 4% adjusted for the impact of acquisitions and changes in foreign currencies. In the Americas, sales decreased 1% year over year adjusted for the impact of acquisitions and changes in foreign currencies. In Europe, sales increased 8% year over year adjusted for the impact of acquisitions and changes in foreign currencies. Global enterprise computing solutions achieved record second-quarter operating income of \$105 million and operating margin of 4.9%.

In the second quarter,
both global components
and enterprise
computing solutions
sales and operating
margins advanced year
over year.

Consolidated Overview

Second Quarter 2015

P&L Highlights*	Q2 2015	Y/Y Change	Y/Y Change Adjusted for Acquisitions & Currency	Q/Q Change
Sales	\$5,830	+3%	+3%	+17%
Gross Profit Margin	13.2%	flat	-10bps	-50bps
Operating Expenses/Sales	9.1%	flat	flat	-50bps
Operating Income	\$238	+4%	+1%	+16%
Operating Margin	4.1%	+10bps	-10bps	flat
Net Income	\$149	+3%	+2%	+17%
Diluted EPS	\$1.54	+7%	+6%	+17%

\$ in millions, except per share data; may reflect rounding

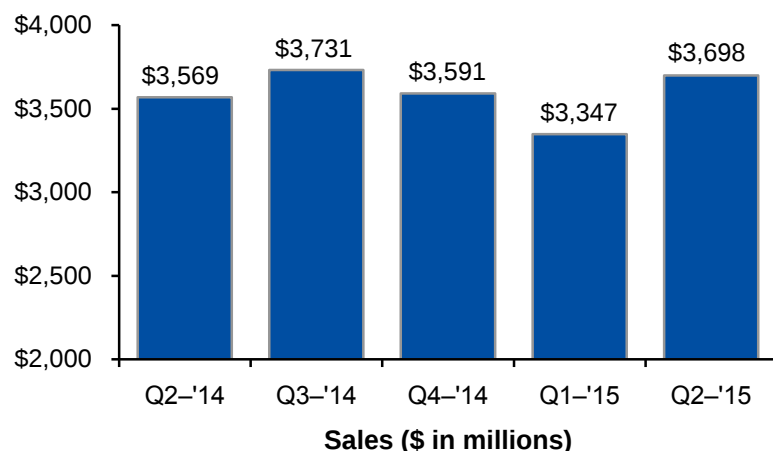
- Second-quarter sales were \$5.83 billion
 - Adjusted for the impact of acquisitions and changes in foreign currencies, sales increased 3% year over year
 - Sales, as reported, increased 3% year over year and 17% sequentially
- Consolidated gross profit margin was 13.2%
 - Flat year over year as slightly higher global components gross margin from sales growth was offset by slightly lower enterprise computing solutions gross margin due to higher mix from the Americas region
 - Decreased 50 basis points sequentially due to a seasonally higher mix of enterprise computing solutions business
- Operating expenses as a percentage of sales were 9.1%
 - Flat year over year and decreased seasonally by 50 basis points sequentially
 - Adjusted for the impact of acquisitions and changes in foreign currencies, operating expenses increased 3% year over year
 - On a reported basis, operating expenses increased 2% year over year primarily due to acquisitions
- Operating income was \$238 million
 - Increased 4% year over year as reported
 - Increased 1% year over year adjusted for the impact of acquisitions and changes in foreign currencies
- Operating income as a percentage of sales was 4.1%

- Operating income as a percentage of sales increased 10 basis points year over year
- Effective tax rate for the quarter was 27.1%
- Net income was \$149 million
 - Increased 3% year over year
 - Adjusted for the impact of acquisitions and changes in foreign currencies, net income increased by 2% year over year
- Earnings per share were \$1.56 and \$1.54 on a basic and diluted basis, respectively
 - Diluted EPS increased 7% year over year
 - Adjusted for the impact of acquisitions and changes in foreign currencies, diluted EPS increased by 6% year over year

A reconciliation of non-GAAP adjusted financial measures, including sales, as adjusted, operating income, as adjusted, net income attributable to shareholders, as adjusted, and net income per share, as adjusted, to GAAP financial measures is presented in the reconciliation tables included herein.

Components

Global



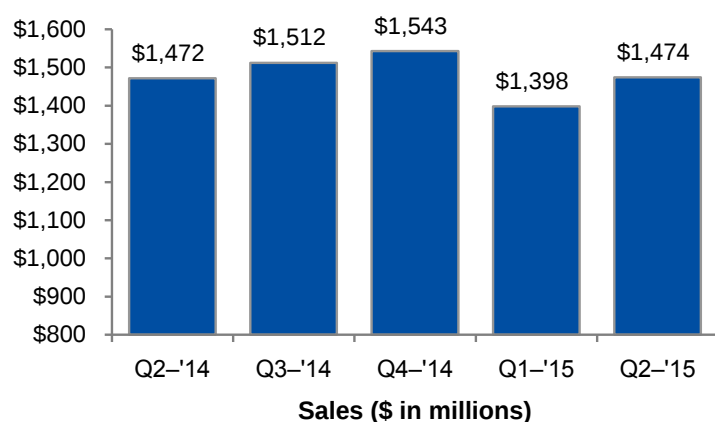
- Sales, adjusted for the impact of acquisitions and changes in foreign currencies, increased 3% year over year
 - Sales, as reported, increased 4% year over year and 11% sequentially
- Leading indicators, including lead times and cancellation rates, are in-line with historical norms
- Book-to-bill was 1.02, at a normal seasonal level for a second quarter
- Gross profit dollars, adjusted for the impact of acquisitions and changes in foreign currencies, increased 4% year over year and sequentially
- Gross margins increased 10 basis points year over year and decreased 40 basis points sequentially
 - Year-over-year increase principally driven by Americas and Asia Pacific
 - Sequential decrease principally driven by seasonally higher mix from Asia Pacific region
- Operating margin of 4.8% increased 20 basis points year over year principally driven by improvement in Europe and Asia Pacific
- Return on working capital decreased 100 basis points year over year, as higher operating income was offset by higher working capital due to acquisitions



Global components sales increased 3% year over year adjusted for the impact of acquisitions and changes in foreign currencies.

Components

Americas



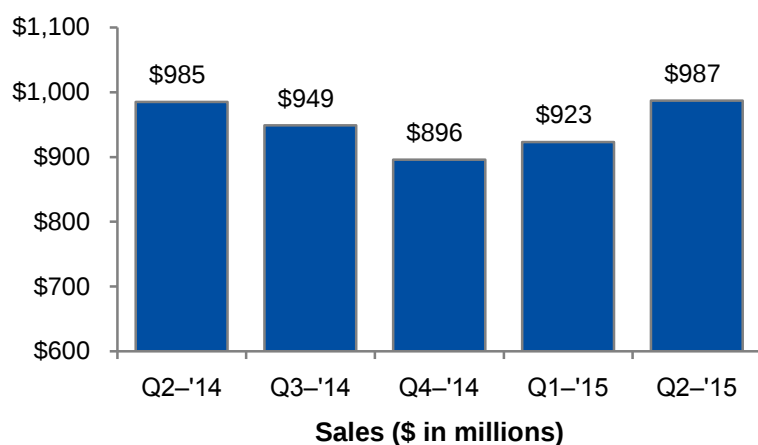
- Sales were flat year over year and increased 5% sequentially
 - Americas core sales increased 3% year over year
 - Strong growth in the alternative energy, lighting, and transportation verticals year over year
 - On a sequential basis, core sales were in-line with seasonality
- Looking ahead to the third quarter, we expect sales in our core Americas components business to be in-line with seasonality



Americas Components
core sales increased
3% year over year.

Components

Europe



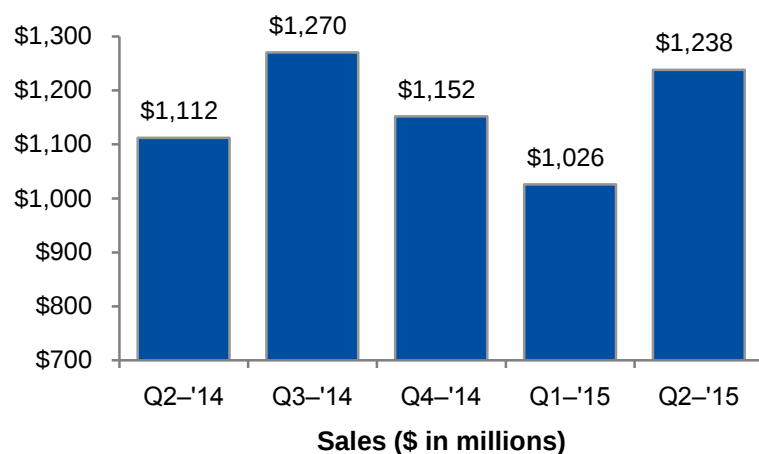
- Sales increased 11% year over year adjusted for the impact of acquisitions and changes in foreign currencies
 - Sales, as reported, were flat year over year and increased 7% sequentially
 - Strong growth in the transportation and lighting verticals year over year
 - On a sequential basis, core sales were near the high end of seasonality
- Looking ahead to the third quarter, we expect sales in our core European components business to be in-line with seasonality



Sales increased 11%
year over year
adjusted for the impact
of acquisitions and
changes in foreign
currencies.

Components

Asia Pacific

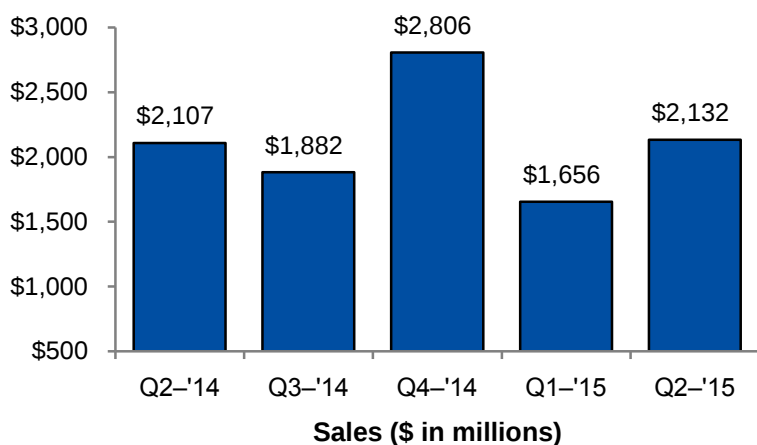


- Sales were grew 11% year over year and 21% sequentially
 - Sales increased 4% year over year and 10% sequentially adjusted for the impact of acquisitions and changes in foreign currencies
 - Core components sales grew 15% year over year
 - Strong growth in the transportation and industrial power verticals year over year
 - On a sequential basis, core sales were near the higher end of traditional seasonality
- Looking ahead to the third quarter, we expect sales in our core Asia-Pacific components business to be near the lower end of seasonality due to slowing economic growth in the bigger economies

Core Asia Pacific
Components sales
increased 15% year
over year.

Enterprise Computing Solutions

Global

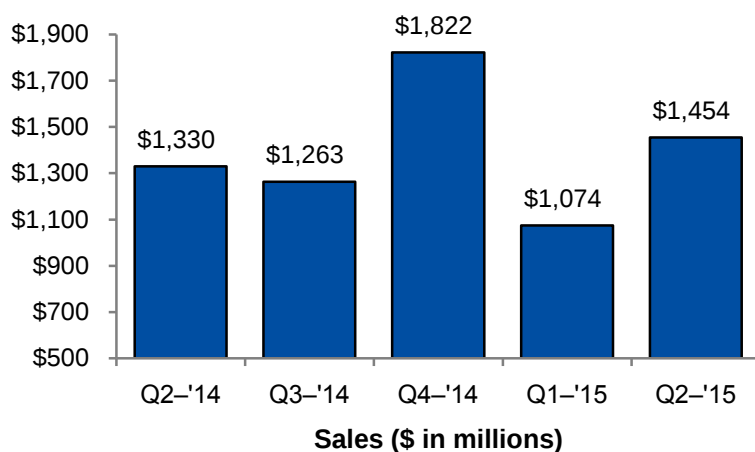


- Sales increased 2% year over year adjusted for the impact of acquisitions and changes in foreign currencies
 - Sales, as reported, increased 1% year over year and seasonally increased by 29% sequentially
 - On a six-month basis, sales increased 4% year over year adjusted for the impact of acquisitions and changes in foreign currencies
- Gross margin was down 20 basis points year over year due to a higher mix from Americas
- Operating margin of 4.9%
 - Up 10 basis points year over year due to higher margins in the Americas
 - Operating income increased 4% year over year
- Return on working capital continues to excel, increasing year over year for the seventh consecutive quarter

Six-month sales increased 4% year over year adjusted for the impact of acquisitions and changes in foreign currencies.

Enterprise Computing Solutions

Americas

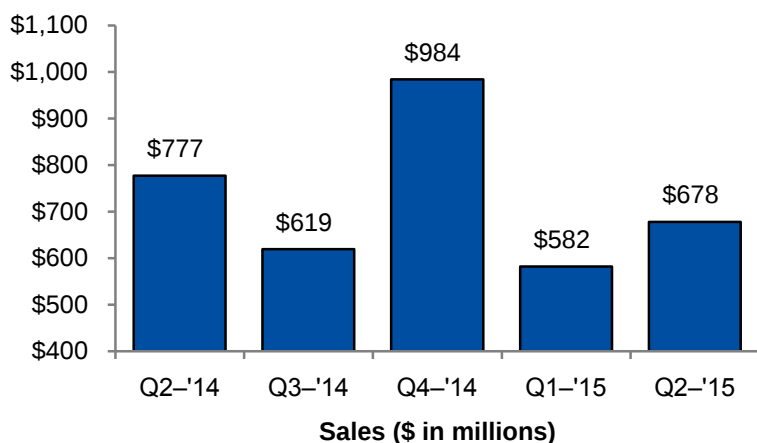


- Sales increased 9% year over year and seasonally increased by 35% sequentially
 - Sales decreased 1% year over year adjusted for the impact of acquisitions and changes in foreign currencies
 - Double-digit growth in software led by security and virtualization
 - Growth in services
 - Industry-standard and proprietary servers declined compared to strong hardware spending during the year-ago quarter
- Looking ahead to the third quarter, we expect sales in our core Americas value-added computing solutions business to be in-line with seasonality

ECS Americas
captured double-digit
growth in software led
by security.

Enterprise Computing Solutions

Europe



- Sales increased 8% year over year adjusted for the impact of acquisitions and changes in foreign currencies
 - Sales, as reported, decreased 13% year over year and increased 17% sequentially
 - Strong growth in proprietary servers, storage, software, services, and networking
 - Growth in industry-standard servers
- Looking ahead to the third quarter, we expect sales in our core European value-added computing solutions business to be in-line with seasonality

ECS Europe captured strong growth in proprietary servers, storage, software, services and networking.

Cash Flow and Balance Sheet Highlights

Cash Flow from Operations

Cash from operating activities in the second quarter was \$461 million and \$609 million on a trailing 12-month basis. We converted more than 120% of GAAP net income to cash over the last 12 months, well in excess of our target.

Working Capital

Working capital to sales was 14.7% in the second quarter. Return on working capital was 27.7%.

Return on Invested Capital

Return on invested capital was 10.8% in the second quarter and increased over the prior period for the seventh consecutive quarter.

Share Buyback

We repurchased \$78 million of our stock in the second quarter, bringing our total cash returned to shareholders over the last 12 months to approximately \$307 million.

Debt and Liquidity

Net-debt-to-last-12-months EBITDA ratio of approximately 2.1x. Our total liquidity is \$3.0 billion when including our cash of \$400 million.

We repurchased \$78 million of our stock in the second quarter, bringing our total cash returned to shareholders over the last 12 months to approximately \$307 million.

Arrow Electronics Outlook

Guidance

We are expecting the average USD to Euro exchange rate for the second quarter to be €1.08 to \$1. Based on this assumption, changes in foreign currencies will have a negative impact of approximately \$280 million or 5% on sales and a negative impact of \$.08 or 6% on earnings per share compared with the third quarter of 2014, and a negative impact of \$40 million or 1% on sales and a negative impact of \$.01 or 1% on earnings per share compared with the second quarter of 2015.

Third-Quarter 2015 Guidance

Consolidated Sales	\$5.55 billion to \$5.95 billion
Global Components	\$3.65 billion to \$3.85 billion
Global ECS	\$1.9 billion to \$2.1 billion
Diluted Earnings per Share*	\$1.40 to \$1.52

* Third-quarter guidance assumes average diluted shares outstanding of 95.5 million.

Revenue Seasonality*

Global Components	NAC	EMEA ex FX	AAP
Q1	-8% to 0%	+8% to 16%	-10% to -2%
Q2	0% to +8%	-5% to +3%	+3% to +11%
Q3	-4% to +4%	-4% to +4%	+4% to +12%
Q4	-3% to +5%	-8% to 0%	-4% to +4%

Global ECS	NAC	EMEA ex FX
Q1	-36% to -28%	-40% to -32%
Q2	+22% to +30%	+9% to +17%
Q3	-12% to -4%	-24% to -16%
Q4	+36% to +44%	+72% to +80%

* Revenue seasonality based on historical sequential sales growth for our components and ECS businesses, updated February 5, 2015

Risk Factors

The discussion of the company's business and operations should be read together with the risk factors contained in Item 1A of its 2014 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. If any of the described events occur, the company's business, results of operations, financial condition, liquidity, or access to the capital markets could be materially adversely affected.

Information

Relating to Forward-Looking Statements

This press release includes forward-looking statements that are subject to numerous assumptions, risks, and uncertainties, which could cause actual results or facts to differ materially from such statements for a variety of reasons, including, but not limited to: industry conditions, company's implementation of its new enterprise resource planning system, changes in product supply, pricing and customer demand, competition, other vagaries in the global components and global enterprise computing solutions markets, changes in relationships with key suppliers, increased profit margin pressure, effects of additional actions taken to become more efficient or lower costs, risks related to the integration of acquired businesses, changes in legal and regulatory matters, and the company's ability to generate additional cash flow. Forward-looking statements are those statements which are not statements of historical fact. These forward-looking statements can be identified by forward-looking words such as "expects," "anticipates," "intends," "plans," "may," "will," "believes," "seeks," "estimates," and similar expressions. Shareholders and other readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. The company undertakes no obligation to update publicly or revise any of the forward-looking statements.

For a further discussion of factors to consider in connection with these forward-looking statements, investors should refer to Item 1A Risk Factors of the company's Annual Report on Form 10-K for the year ended December 31, 2014.

Certain Non-GAAP Financial

In addition to disclosing financial results that are determined in accordance with accounting principles generally accepted in the United States ("GAAP"), the company also provides certain non-GAAP financial information relating to sales, operating income, net income attributable to shareholders, and net income per basic and diluted share. The company provides sales on a non-GAAP basis adjusted for the impact of changes in foreign currencies and the impact of acquisitions by adjusting the company's prior periods to include the sales of businesses acquired as if the acquisitions had occurred at the beginning of the earliest period presented (referred to as "impact of acquisitions"). Operating income, net income attributable to shareholders, and net income per basic and diluted share are adjusted for certain charges, credits, gains, and losses that the company believes impact the comparability of its results of operations. These charges, credits, gains, and losses arise out of the company's efficiency enhancement initiatives, acquisitions (including intangible assets amortization expense), loss on prepayment of debt, and (gain)/loss on investments. A reconciliation of the company's non-GAAP financial information to GAAP is set forth in the tables below.

The company believes that such non-GAAP financial information is useful to investors to assist in assessing and understanding the company's operating performance and underlying trends in the company's business because management considers these items referred to above to be outside the company's core operating results. This non-GAAP financial information is among the primary indicators management uses as a basis for evaluating the company's

financial and operating performance. In addition, the company's Board of Directors may use this non-GAAP financial information in evaluating management performance and setting management compensation.

The presentation of this additional non-GAAP financial information is not meant to be considered in isolation or as a substitute for, or alternative to, operating income, net income attributable to shareholders and net income per basic and diluted share determined in accordance with GAAP. 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.

The company believes that such non-GAAP financial information is useful to investors to assist in assessing and understanding the company's operating performance.

Earnings Reconciliation

(\$ in thousands, except per share data)

	Q2 2015	Q1 2015	Q2 2014
Operating income, as Reported	\$206,943	\$177,434	\$208,269
Intangible assets amortization expense	13,917	11,107	10,870
Restructuring, integration, and other charges	17,147	16,196	9,632
Operating income, as Adjusted	\$238,007	\$204,737	\$228,771

	Q2 2015	Q1 2015	Q2 2014
Net income attributable to shareholders, as Reported	\$123,932	\$106,058	\$127,884
Intangible assets amortization expense	11,169	9,029	8,867
Restructuring, integration, and other charges	12,895	12,569	7,526
Loss on prepayment of debt	—	1,808	—
(Gain)/loss on investments	921	(1,667)	—
Net income attributable to shareholders, as Adjusted	\$148,917	\$127,797	\$144,277

	Q2 2015	Q1 2015	Q2 2014
Diluted EPS, as Reported	\$1.28	\$1.09	\$1.27
Intangible assets amortization expense	.12	.09	.09
Restructuring, integration, and other charges	.13	.13	.07
Loss on prepayment of debt	—	.02	—
(Gain)/loss on investments	.01	(.02)	—
Net income attributable to shareholders, as Adjusted	\$1.54	\$1.32	\$1.43

The sum of the components for diluted EPS, as Adjusted, may not agree to totals, as presented, due to rounding.

Earnings Reconciliation

References to restructuring and other charges refer to the following incremental charges taken in the periods indicated:

Q2-15 Intangible Assets Amortization Expense

During the second quarter of 2015, the company recorded intangible assets amortization expense of 13.9 million (\$11.2 million net of related taxes or \$.12 per share on both a basic and diluted basis).

Q2-15 Restructuring, Integration, and Other Charges

During the second quarter of 2015, the company recorded restructuring, integration, and other charges of \$17.1 million (\$12.9 million net of related taxes or \$.13 per share on both a basic and diluted basis).

Q2-15 Loss on investment

During the second quarter of 2015, the company recorded a loss on investment of \$1.5 million (\$0.9 million net of related taxes or \$.01 per share on both a basic and diluted basis).

Q1-15 Intangible Assets Amortization Expense

During the first quarter of 2015, the company recorded intangible assets amortization expense of 11.1 million (\$9.0 million net of related taxes or \$.09 per share on both a basic and diluted basis).

Q1-15 Restructuring, Integration, and Other Charges

During the first quarter of 2015, the company recorded restructuring, integration, and other charges of \$16.2 million (\$12.6 million net of related taxes or \$.13 per share on both a basic and diluted basis).

Q1-15 Loss on prepayment of debt

During the first quarter of 2015, the company recorded a loss on prepayment of debt of \$2.9 million (\$1.8 million net of related taxes or \$.02 per share on both a basic and diluted basis), related to the redemption of \$250.0 million principal amount of its 3.375% notes due November 2015.

Q1-15 Gain on sale of investment

During the first quarter of 2015, the company recorded a gain on sale of investment of \$2.0 million (\$1.7 million net of related taxes or \$.02 per share on both a basic and diluted basis).

Q2-14 Intangible Assets Amortization Expense

During the second quarter of 2014, the company recorded intangible assets amortization expense of \$10.9 million (\$8.9 million net of related taxes or \$.09 per share on both a basic and diluted basis).

Q2-14 Restructuring, Integration, and Other Charges

During the second quarter of 2014, the company recorded restructuring, integration, and other charges of \$9.6 million (\$7.5 million net of related taxes or \$.08 and \$.07 per share on a basic and diluted basis, respectively).



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Corporate

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