

Third-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 September 26, 2015 and the company's 2014 Annual Report on Form 10-K as filed with the Securities and Exchange Commission.

2015 Non-GAAP
earnings per share
expected to be in
excess of \$6.00.

Third-Quarter Summary

In the third quarter we delivered overall results that were within our expectations. We experienced mixed demand trends. The performance by our Europe components and Europe enterprise computing solutions businesses were better than our expectations. Our Americas components and enterprise computing solutions businesses were broadly in-line with our expectations. Asia components fell short of our expectations as economic conditions and demand trends deteriorated during the quarter.

Third-quarter sales were \$5.7 billion advancing 2% year over year. Sales, adjusted for the impact of acquisitions and changes in foreign currencies, declined 1% year over year. Operating income was \$218 million, a 6% increase year over year adjusted for changes in foreign currencies. Operating margin was unchanged year over year. Trailing 12-month cash generated from operating activities was \$568 million.

Global components sales were \$3.69 billion. Sales increased 3% year over year adjusted for the impact of changes in foreign currencies. Third-quarter book-to-bill was 1.00. In the Americas, sales declined 4% 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 decreased 2% year over year. Global components operating margin of 4.7% decreased 30 basis points year over year principally due to the consolidation of our recent acquisitions.

In enterprise computing solutions, sales of \$2.01 billion increased 7% year over year. On a nine-month basis, sales grew 3% year over year adjusted for the impact of acquisitions and changes in foreign currencies. In the Americas, sales increased 11% year over year. In Europe, sales increased 15% year over year adjusted for the impact of changes in foreign currencies. Global enterprise computing solutions achieved record third-quarter operating income of \$91 million and operating margin of 4.5%.

In the third quarter, both global components and enterprise computing solutions sales were broadly in line with our expectations.

Consolidated Overview

Third Quarter 2015

P&L Highlights*	Q3 2015	Y/Y Change	Y/Y Change Adjusted for Acquisitions & Currency	Q/Q Change
Sales	\$5,698	+2%	-1%	-2%
Gross Profit Margin	13.0%	flat	+10bps	-20bps
Operating Expenses/ Sales	9.2%	+10bps	+30bps	+10bps
Operating Income	\$218	+1%	-6%	-8%
Operating Margin	3.8%	flat	-20bps	-30bps
Net Income	\$133	-5%	-11%	-10%
Diluted EPS	\$1.40	flat	-7%	-9%

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

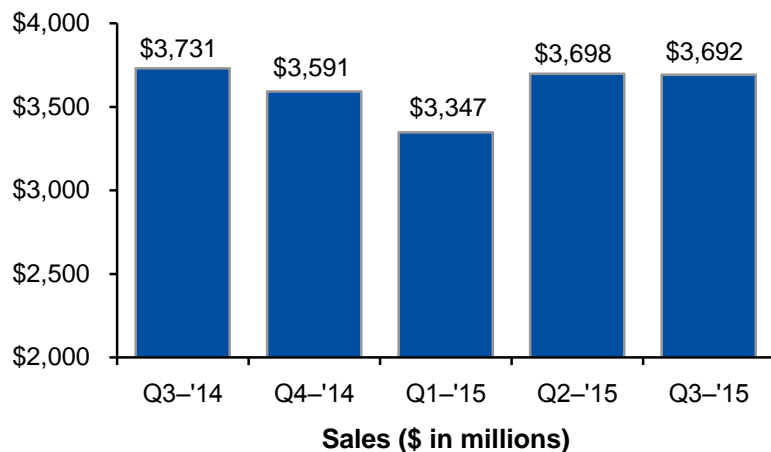
- Third-quarter sales were \$5.7 billion
 - Sales increased 2% year over year and declined 2% quarter over quarter
 - Adjusted for the impact of acquisitions and changes in foreign currencies, sales decreased 1% year over year
- Consolidated gross profit margin was 13.0%
 - Flat year over year as slightly higher global components gross margin was offset by higher mix from the enterprise computing solutions business
 - Decreased 20 basis points quarter over quarter in line with the quarter over quarter change in 2014
- Operating expenses as a percentage of sales were 9.2%
 - Up 10 basis points year over year and quarter over quarter
 - As reported and adjusted for the impact of acquisitions and changes in foreign currencies, operating expenses increased 2% year over year
- Operating income was \$218 million
 - Increased 1% year over year as reported
 - Decreased 6% year over year adjusted for the impact of acquisitions and changes in foreign currencies
- Operating income as a percentage of sales was 3.8%
 - Operating income as a percentage of sales was flat year over year
- Effective tax rate for the quarter was 27%

- Net income was \$133 million
 - Decreased 5% year over year
 - Adjusted for the impact of acquisitions and changes in foreign currencies, net income decreased by 11% year over year
- Earnings per share were \$1.41 and \$1.40 on a basic and diluted basis, respectively
 - Diluted EPS was flat year over year
 - Adjusted for the impact of acquisitions and changes in foreign currencies, diluted EPS decreased by 7% 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



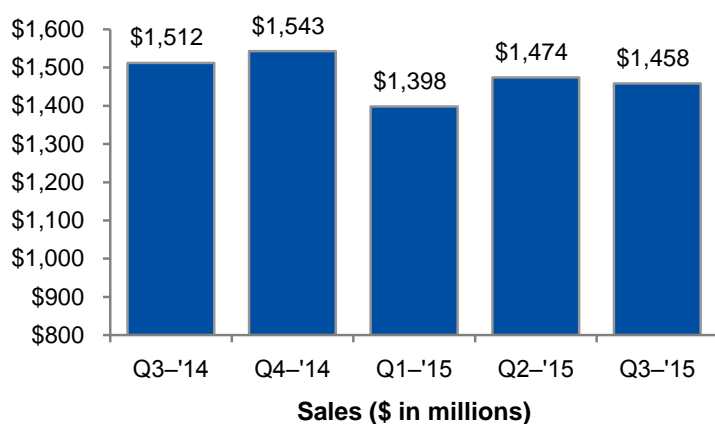
- Sales, adjusted for the impact of changes in foreign currencies, increased 3% year over year
 - Sales, as reported, decreased 1% year over year and were flat quarter over quarter
- Leading indicators, including lead times and cancellation rates, are in-line with historical norms
- Book-to-bill was 1.00, slightly above a normal seasonal level for a third quarter
- Gross profit dollars, adjusted for the impact of changes in foreign currencies, increased 5% year over year and decreased 2% quarter over quarter.
- Gross margins increased 10 basis points year over year and decreased 30 basis points quarter over quarter
 - Year-over-year increase principally driven by higher mix from Europe
 - Quarter-over-quarter decrease principally driven by seasonally higher mix from Asia and lower mix from the Americas
- Operating margin of 4.7% decreased 30 basis points year over year principally due to the contribution from newly acquired businesses including ATM in Asia
- Return on working capital decreased 340 basis points year over year due to lower operating income and higher working capital due to acquisitions



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

Components

Americas

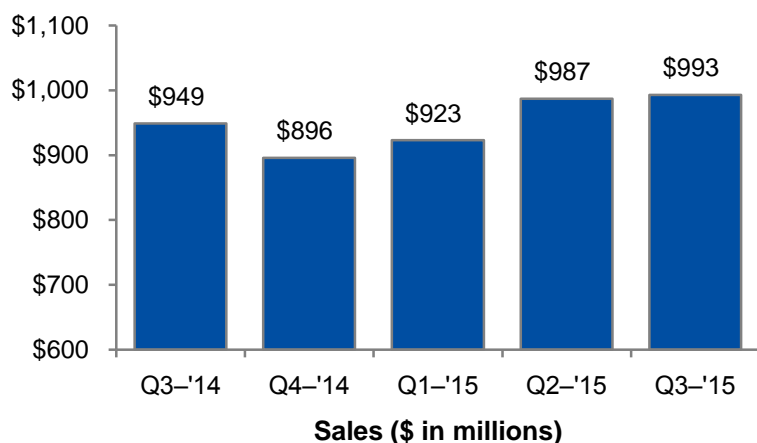


- Sales decreased 4% year over year and 1% quarter over quarter
 - Core sales decreased 4% year over year
 - Strong growth in the lighting vertical year over year
 - On a quarter-over-quarter basis, core sales were within normal seasonality
- Looking ahead to the fourth quarter, we expect sales in our core Americas components business to be in line with seasonality

Americas Components
core sales were within
normal seasonality.

Components

Europe

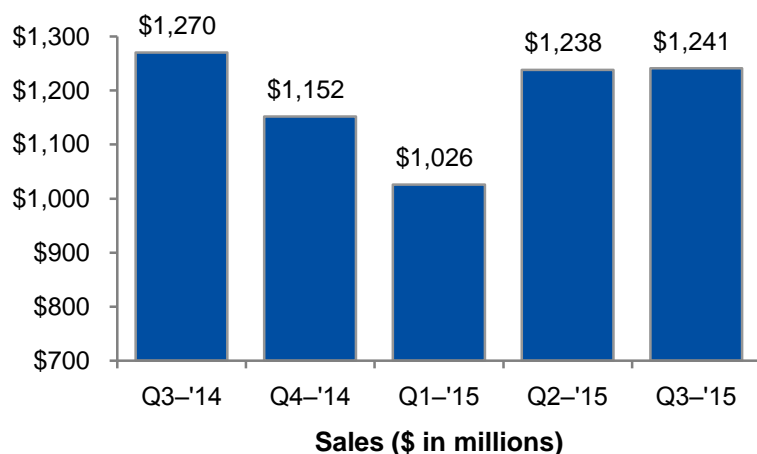


- Sales increased 11% year over year adjusted for the impact of acquisitions and changes in foreign currencies
 - Sales, as reported, increased 5% year over year and 1% quarter over quarter
 - Strong growth in the transportation and lighting verticals year over year
 - On a quarter-over-quarter basis, core sales were within normal seasonality
- Looking ahead to the fourth 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

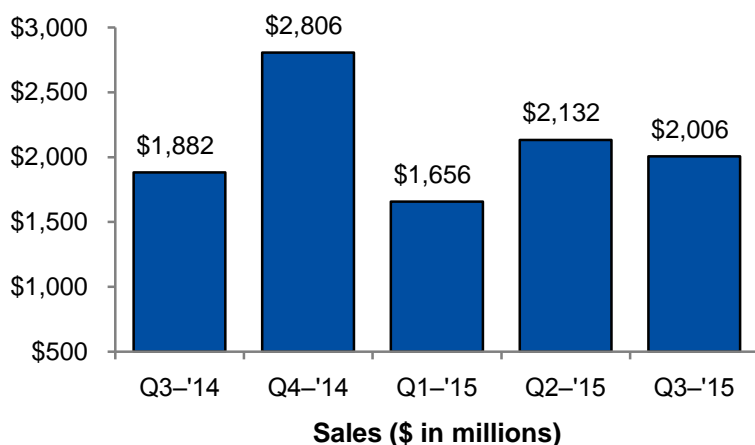


- Sales decreased 2% year over year and were flat quarter over quarter
 - Sales decreased 1% year over year and increased 1% quarter over quarter adjusted for the impact of changes in foreign currencies
 - Core components sales decreased 5% year over year
 - Strong growth in the transportation vertical year over year
 - On a quarter-over-quarter basis, core sales were below normal seasonality
- Looking ahead to the fourth 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 larger countries

Asia Components sales increased 1% quarter over quarter adjusted for changes in foreign currencies.

Enterprise Computing Solutions

Global

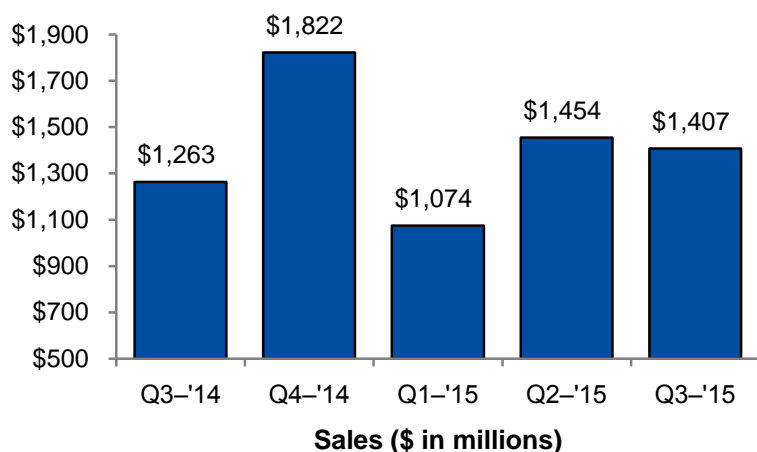


- Sales increased 7% year over year and decreased 6% quarter over quarter
 - Sales, adjusted for acquisitions and changes in foreign currencies, increased 1% year over year
 - On a nine-month basis, sales increased 3% year over year adjusted for the impact of acquisitions and changes in foreign currencies
- Gross margin was flat year over year
- Operating margin of 4.5%
 - Up 60 basis points year over year due to improved margins in the Americas and greater mix from the Americas
 - Operating income increased 22% year over year
- Return on working capital continues to excel, increasing year over year for the eighth consecutive quarter

Operating income
increased 22% year
over year.

Enterprise Computing Solutions

Americas

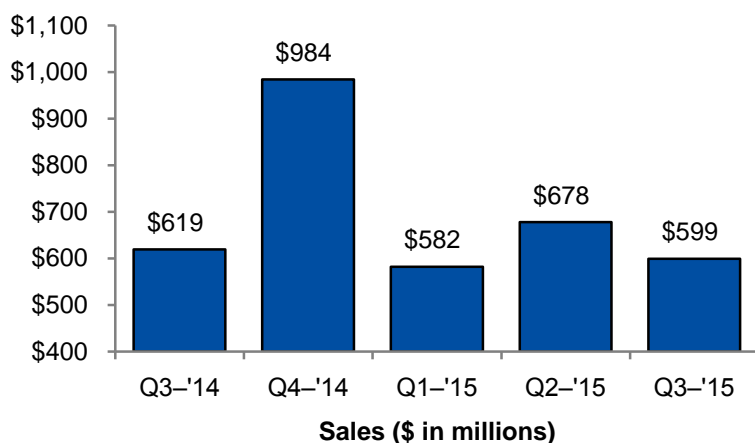


- Sales increased 11% year over year and decreased 3% quarter over quarter
 - Core sales were flat year over year
 - Sales decreased 4% year over year adjusted for the impact of acquisitions and changes in foreign currencies
 - On a quarter-over-quarter basis, core sales were within with normal seasonality
 - Double-digit growth in software led by security and infrastructure adjusted for acquisitions and changes in foreign currencies
- Looking ahead to the fourth quarter, we expect sales in our core Americas value-added computing solutions business to be below the midpoint of seasonality

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

Enterprise Computing Solutions

Europe



- Sales increased 15% year over year adjusted for the impact of changes in foreign currencies
 - Sales, as reported, decreased 3% year over year
 - On a quarter-over-quarter basis, sales were above normal seasonality
 - Strong growth in software, networking, storage, services, and industry-standard servers on a year-over-year basis adjusted for the impact of changes in foreign currencies
- Looking ahead to the fourth quarter, we expect sales in our core European value-added computing solutions business to be below seasonality

ECS Europe captured strong growth in nearly all portfolio products during the third quarter.

Cash Flow and Balance Sheet Highlights

Cash Flow from Operations

Cash from operating activities was negative \$108 million in the quarter and was positive \$568 million on a trailing 12-month basis. We converted approximately 125% of GAAP net income to cash over the last 12 months, well in excess of our target.

Working Capital

Working capital to sales was 16.2%. Return on working capital was 23.6%.

Return on Invested Capital

Return on invested capital was 9.5%.

Share Buyback

We repurchased \$50 million of our stock, 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 2.4x. Our total liquidity is \$2.2 billion when including our cash of \$337 million.

We repurchased \$50 million of our stock in the third 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 fourth quarter to be €1.12 to \$1. Based on this assumption, changes in foreign currencies will have a negative impact of approximately \$215 million or 3% on sales and a negative impact of \$.08 or 4% on earnings per share compared with the fourth quarter of 2014.

Fourth-Quarter 2015 Guidance

Consolidated Sales	\$6.15 billion to \$6.55 billion
Global Components	\$3.45 billion to \$3.65 billion
Global ECS	\$2.7 billion to \$2.9 billion
Diluted Earnings per Share*	\$1.75 to \$1.91

* Assumes average diluted shares outstanding of 95 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 quarter-over-quarter sales growth for our core components and ECS businesses adjusted for the impact of acquisitions and changes in foreign currencies. 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 operating results for businesses acquired, including the amortization expense related to acquired intangible assets, 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)

	Q3 2015	Q2 2015	Q3 2014
Operating income, as Reported	\$185,794	\$206,943	\$199,816
Intangible assets amortization expense	14,269	13,917	11,108
Restructuring, integration, and other charges	17,756	17,147	3,935
Operating income, as Adjusted	\$217,819	\$238,007	\$214,859

	Q3 2015	Q2 2015	Q3 2014
Net income attributable to shareholders, as Reported	\$109,244	\$123,932	\$146,864
Intangible assets amortization expense	11,521	11,169	9,086
Restructuring, integration, and other charges	12,642	12,895	2,556
(Gain)/loss on investments	–	921	(18,269)
Net income attributable to shareholders, as Adjusted	\$133,407	\$148,917	\$140,237

	Q3 2015	Q2 2015	Q3 2014
Diluted EPS, as Reported	\$1.15	\$1.28	\$1.47
Intangible assets amortization expense	.12	.12	.09
Restructuring, integration, and other charges	.13	.13	.03
(Gain)/loss on investments	–	.01	(.18)
Net income attributable to shareholders, as Adjusted	\$1.40	\$1.54	\$1.40

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:

Q3-15 Intangible Assets Amortization Expense

During the third quarter of 2015, the company recorded intangible assets amortization expense of \$14.3 million (\$11.5 million net of related taxes or \$.12 per share on both a basic and diluted basis).

Q3-15 Restructuring, Integration, and Other Charges

During the third quarter of 2015, the company recorded restructuring, integration, and other charges of \$17.8 million (\$12.6 million net of related taxes or \$.13 per share on both a basic and diluted basis).

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).

Q3-14 Intangible Assets Amortization Expense

During the third quarter of 2014, the company recorded intangible assets amortization expense of \$11.1 million (\$9.1 million net of related taxes or \$.09 per share on both a basic and diluted basis).

Q3-14 Restructuring, Integration, and Other Charges

During the third quarter of 2014, the company recorded restructuring, integration, and other charges of \$3.9 million (\$2.6 million net of related taxes or \$.03 per share on both a basic and diluted basis).

Q3-14 Gain on investment

During the third quarter of 2014, the company recorded a gain on investment of \$29.7 million (\$18.3 million net of related taxes or \$.19 and \$.18 per share on a basic and diluted basis, respectively).



Arrow Electronics, Inc.
Corporate

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