

Fourth Quarter

2018

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. The discussion of our results may 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 company's 2018 Annual Report on form 10-K as filed with the Securities and Exchange Commission

Record full-year sales of \$29.68 billion increased 12% Y/Y; record fourth-quarter sales of \$7.92 billion increased 5% Y/Y.

Fourth-Quarter Summary

We completed an outstanding year in 2018 with record fourth-quarter and full-year sales, gross profit, operating income, and earnings per share. Full-year sales increased by more than \$3 billion for the second consecutive year. Fourth-quarter sales and earnings per share were above the midpoints of our prior expectations.

Record fourth-quarter global components sales were in line with our expectation. Fourth-quarter global components sales increased 6% year over year. Americas sales increased 5% year over year. Europe sales increased 9% year over year and increased 13% adjusted for changes in foreign currencies, the 23rd straight quarter of adjusted year-over-year growth. Asia sales increased 7% year over year. Global components delivered strong leverage as operating income increased 16% year over year, and non-GAAP operating income increased 17% year over year.

Fourth-quarter enterprise computing solutions sales increased 2% year over year, and increased 6% year over year adjusted for an acquisition, two divestitures, and changes in foreign currencies. Sales were above the midpoint of our expectation. Americas sales increased 4% year over year, and increased 9% year over year as adjusted. Europe sales decreased 1% year over year and were flat year over year as adjusted. Billings grew at a low double-digit rate year over year. Enterprise computing solutions operating income decreased 6% year over year, and non-GAAP operating income decreased 7% year over year. Non-GAAP operating income decreased 3% year over year as adjusted.

Please note, 2017 figures have been adjusted for new accounting standards.

We delivered record fourth-quarter and full-year sales, gross profit, operating income, and earnings per share.

Consolidated Overview

Fourth Quarter 2018

| P&L Highlights* | Q4 2018 | Y/Y Change | Y/Y Change Adjusted for Acquisitions, Dispositions & Currency | Q/Q Change |
|---------------------------|---------|------------|---|------------|
| Sales | \$7,918 | 5% | 7% | 6% |
| Gross Profit Margin | 12.3% | flat | 10 bps | flat |
| Operating Income | \$334 | 17% | 18% | 15% |
| Operating Margin | 4.2% | 40bps | 40bps | 30bps |
| Non-GAAP Operating Income | \$357 | 5% | 6% | 13% |
| Non-GAAP Operating Margin | 4.5% | flat | flat | 30bps |
| Net Income | \$231 | 330% | 384% | 31% |
| Diluted EPS | \$2.63 | 338% | 394% | 32% |
| Non-GAAP Net Income | \$225 | 1% | 4% | 17% |
| Non-GAAP Diluted EPS | \$2.57 | 3% | 6% | 18% |

\$ in millions, except per share data; may reflect rounding. Prior periods adjusted for new accounting standards.

- Consolidated sales were \$7.92 billion
 - Above the midpoint of our prior expectation of \$7.7-\$8.1 billion
 - Strengthening U.S. dollar negatively impacted sales growth by \$107 million or 2 percentage points year over year
 - Strengthening U.S. dollar negatively impacted sales growth by approximately \$43 million or 1 percentage point within the quarter
- Consolidated gross profit margin was 12.3%
 - Flat year over year as higher global components gross margin was offset by less favorable enterprise computing solutions business mix
- Consolidated operating income margin was 4.2% and non-GAAP operating income margin was 4.5%
 - Operating expenses as a percentage of sales were 8.0%, flat year over year
 - Non-GAAP operating expenses as a percentage of sales were 7.8%, flat year over year
- Interest and other expense, net was \$55 million
 - Below our prior expectation of \$57 million
 - Increased \$10 million year over year due to higher debt balances and higher interest rates on floating-rate debt
- Flat quarter over quarter as more favorable enterprise computing solutions business mix was offset by less favorable global components mix

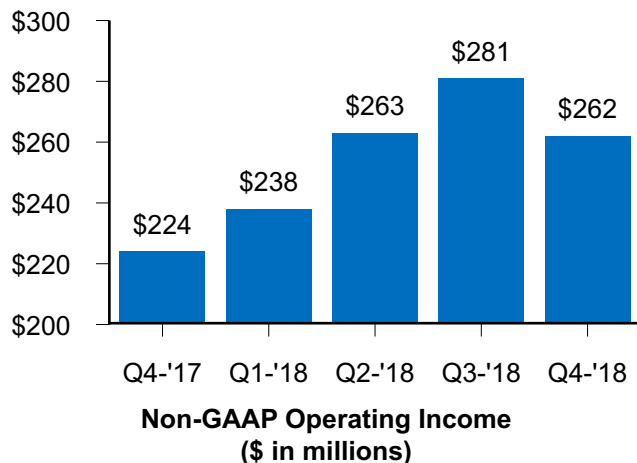
Fourth-Quarter 2018 CFO Commentary

- Effective tax rate was 12.3%, and non-GAAP effective tax rate was 24.0%
 - Effective tax rate included a \$28 million reduction to tax liabilities related to U.S. tax reform
 - Non-GAAP effective tax rate was within our target range of 23.5% - 25.5%
- Diluted shares outstanding were 87.6 million
 - In line with our prior expectation of 88 million
- Diluted earnings per share were \$2.63
 - Above our prior expectation of \$2.21 - \$2.37
 - Included \$.32 of tax benefit related to U.S. tax reform
- Non-GAAP diluted earnings per share were \$2.57
 - Above the midpoint of our prior expectation of \$2.46 - \$2.62
 - Strengthening U.S. dollar negatively impacted earnings per share by approximately \$.06 compared to the fourth quarter of 2017
 - Strengthening U.S. dollar negatively impacted earnings per share by approximately \$.02 within the quarter

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

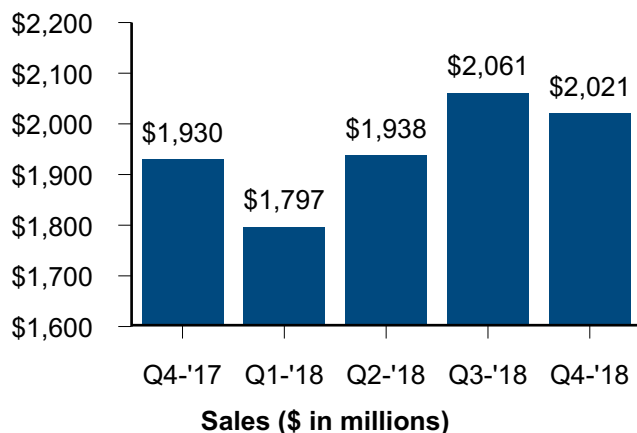


- Sales increased 6% year over year
 - Increased 7% adjusted for acquisitions and changes in foreign currencies
- Lead times were largely unchanged from the prior quarters of 2018 with some products extended
- Backlog increased year over year
- Book-to-bill was 0.95, down from 1.12 in the fourth quarter of 2017
- Operating margin of 4.8% increased 40 basis points year over year
- Non-GAAP operating margin of 5.0% increased 50 basis points year over year
 - Margin increased in all three regions, led by Europe, driven by greater leverage on sales
- Return on working capital increased 30 basis points year over year due to growing returns on working capital investments

Global components posted record fourth-quarter sales and operating income.

Components

Americas

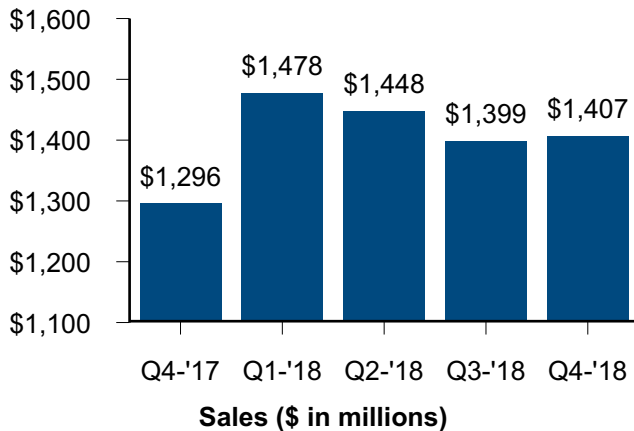


- Sales increased 5% year over year
 - Sales increased 4% year over year adjusted for acquisitions and changes in foreign currencies
 - Record fourth-quarter sales
 - Strong growth in industrial, aerospace and defense, and medical devices verticals year over year
 - Growth in the data processing vertical year over year

Americas components sales increased 5% year over year.

Components

Europe

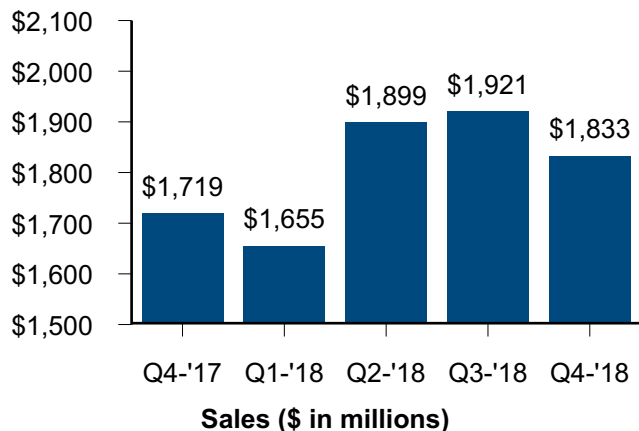


- Sales increased 13% year over year adjusted for changes in foreign currencies
 - Sales increased 9% year over year as reported
 - Record fourth-quarter sales
 - Strong growth in the aerospace and defense vertical year over year

Europe components sales increased 13% year over year adjusted for changes in foreign currencies.

Components

Asia

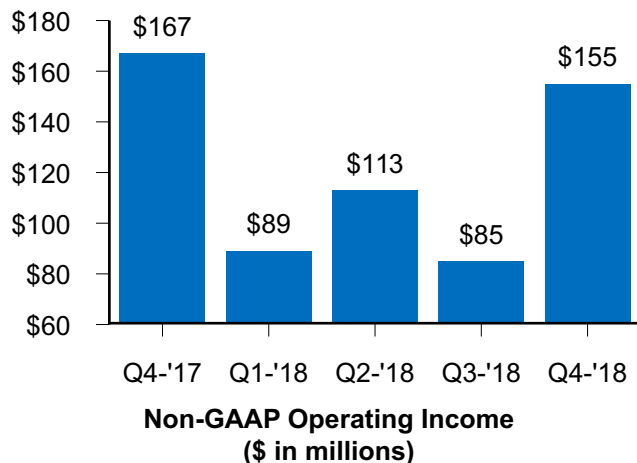


Asia components sales increased 7% year over year.

- Sales increased 7% year over year
 - Record fourth-quarter sales
 - Growth in the transportation, wireless, and lighting verticals year over year

Enterprise Computing Solutions

Global

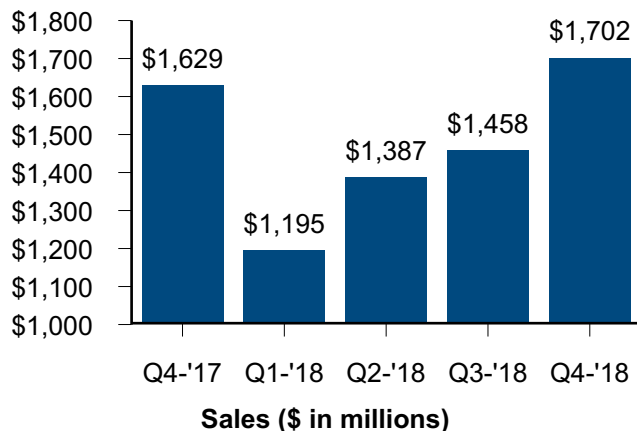


Enterprise computing solutions sales increased 6% year over year as adjusted.

- Sales increased 6% year over year adjusted for an acquisition, two divestitures, and changes in foreign currencies
 - Sales increased 2% year over year as reported
- Billings increased at a low-double-digit rate year over year adjusted for changes in foreign currencies
- Operating income decreased 6% year over year
 - Non-GAAP operating income decreased 3% year over year adjusted for an acquisition, two divestitures, and changes in foreign currencies
- Operating margin of 5.7% decreased 50 basis points year over year; non-GAAP operating margin of 5.8% decreased 70 basis points year over year
 - Decreased due to mix in the Americas region
- Return on working capital remains favorable
- 2017 figures adjusted for new accounting standards

Enterprise Computing Solutions

Americas

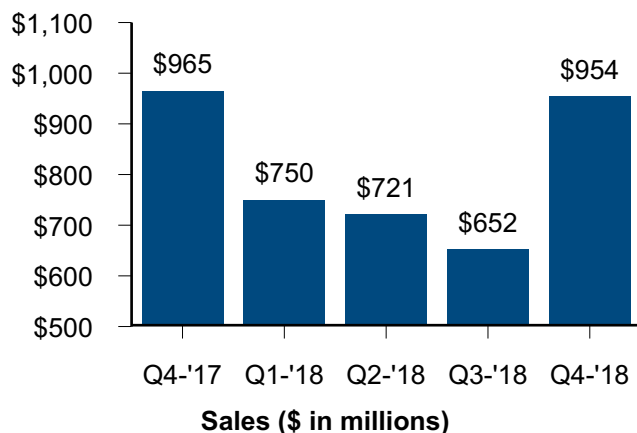


- Sales increased 9% year over year adjusted for a divestiture and changes in foreign currencies
 - Sales increased 4% year over year as reported
 - Strong growth in the public sector and industry-standard servers year over year
 - Growth in infrastructure software led by virtualization, storage, services, and proprietary servers year over year
 - Networking decreased year over year
- 2017 figures adjusted for new accounting standards

ECS Americas sales increased 9% year over year adjusted for a divestiture and changes in foreign currencies.

Enterprise Computing Solutions

Europe



Record fourth-quarter
ECS Europe operating
income.

- Sales were flat year over year adjusted for an acquisition, a divestiture, and changes in foreign currencies
 - Sales decreased 1% year over year as reported
 - Strong growth in security, infrastructure software, services, storage, and industry-standard servers
 - Proprietary servers and networking sales decreased year over year
 - Record fourth-quarter operating income
- 2017 figures adjusted for new accounting standards

Consolidated Overview

Full-Year 2018

| P&L Highlights* | 2018 | Y/Y Change | Y/Y Change Adjusted for Acquisitions, Dispositions, & Currency |
|---------------------------|----------|------------|--|
| Sales | \$29,677 | 12% | 11% |
| Gross Profit Margin | 12.5% | -10bps | -10bps |
| Operating Income | \$1,148 | 21% | 19% |
| Operating Margin | 3.9% | 30bps | 30bps |
| Non-GAAP Operating Income | \$1,261 | 16% | 13% |
| Non-GAAP Operating Margin | 4.2% | 10bps | 10bps |
| Net Income | \$716 | 78% | 75% |
| Diluted EPS | \$8.10 | 81% | 78% |
| Non-GAAP Net Income | \$781 | 16% | 14% |
| Non-GAAP Diluted EPS | \$8.83 | 18% | 16% |

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

- Record full-year sales
 - Sales increased by \$3 billion year over year
- Record full-year gross profit
 - Gross margin decreased 10 basis points year over year as higher global components gross margin was offset by lower enterprise computing solutions gross margin in the Americas region
- Record full-year operating income
 - Operating expenses were well managed, increasing 8% year over year
 - Operating expenses as a percentage of sales decreased 30 basis points year over year
 - Operating margin increased 30 basis points year over year, and non-GAAP operating margin increased 10 basis points year over year
- Interest and other, net was \$215 million
 - Increased \$50 million year over year due to higher debt balances and higher interest rates on floating-rate debt
- Effective tax rate was 20.7%
 - Included a \$28 million favorable tax adjustment for U.S. tax reform incurred during the fourth quarter
- Non-GAAP effective tax rate was 24.2%
 - Within our target range of 23.5% to 25.5%
- Record full-year diluted earnings per share

Cash Flow from Operations

Cash flow from operating activities was \$263 million in the fourth quarter and was \$273 million in 2018.

Working Capital

Working capital to sales was 16.4% in the fourth quarter, up 90 basis points year over year. Working capital to sales was 16.9% in 2018, up 90 basis points from 2017. Return on working capital was 27.5% in the fourth quarter, down 140 basis points year over year. Return on working capital was 25.1% in 2018, down 60 basis points from 2017.

Return on Invested Capital

Return on invested capital was 12.7% in the fourth quarter, down 60 basis points year over year, and was 11.4% in 2018, up 60 basis points from 2017.

Share Buyback

We repurchased approximately 2.0 million shares for \$150 million. Total cash returned to shareholders over the last 12 months was approximately \$230 million.

Debt and Liquidity

Net-debt-to-last-12-months EBITDA ratio is approximately 2.1x. Total liquidity was \$2.9 billion when including cash of \$509 million.

We repurchased approximately \$150 million of our stock in the fourth quarter, bringing total cash returned to shareholders in 2018 to approximately \$230 million.

Arrow Electronics Outlook

Guidance

We are expecting the average USD-to-Euro exchange rate for the first quarter of 2019 to be \$1.14 to €1 compared to \$1.23 to €1 in the first quarter of 2018. We estimate changes in foreign currencies will have negative impacts on growth of approximately \$160 million, or 2 percent on sales, and \$.08, or 4 percent, on earnings per share on a diluted basis compared to the first quarter of 2018. We are expecting interest expense will total approximately \$58 million.

First-Quarter 2019 Guidance

| | |
|-------------------------------------|------------------------------------|
| Consolidated Sales | \$6.775 billion to \$7.175 billion |
| Global Components | \$4.975 billion to \$5.175 billion |
| Global ECS | \$1.8 billion to \$2.0 billion |
| Diluted Earnings Per Share | \$1.61 to \$1.73 |
| Non-GAAP Diluted Earnings Per Share | \$1.84 to \$1.96 |

* Assumes average diluted shares outstanding of 87 million and an average tax rate at the high end of the 23.5% to 25.5% target range.

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 2018 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, 2018.

Certain Non-GAAP Financial Information

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, income, or expense on a non-GAAP basis adjusted for the impact of changes in foreign currencies, intangible amortization, and the impact of acquisitions/dispositions by adjusting the company's operating results for businesses acquired/disposed, including the amortization expense related to intangible assets, as if the acquisitions/dispositions had occurred at the beginning of the earliest period presented (referred to as "impact of acquisitions" and "impact of dispositions"). Operating income, net income attributable to shareholders, and net income per basic and diluted share are adjusted to exclude identifiable intangible amortization, restructuring, integration, and other charges, and 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/dispositions (including intangible assets amortization expense), and financing activities. A reconciliation of the company's non-GAAP financial information to GAAP is set forth in the tables herein.

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)

Three months ended December 31, 2018

| | Reported GAAP measure | Intangible amortization expense | Restructuring & Integration charges | Impact of the Tax Act | Other* | Non-GAAP measure |
|---|-----------------------------|---------------------------------------|---|--------------------------|----------|---------------------|
| Operating income | \$ 334,380 | \$ 12,261 | \$ 9,864 | \$ — | \$ — | \$ 356,505 |
| Income before income taxes | 264,965 | 12,261 | 9,864 | — | 11,886 | 298,976 |
| Provision for income taxes | 32,474 | 3,437 | 4,514 | 28,323 | 3,025 | 71,773 |
| Consolidated net income | 232,491 | 8,824 | 5,350 | (28,323) | 8,861 | 227,203 |
| Noncontrolling interests | 1,838 | 142 | — | — | — | 1,980 |
| Net income attributable to shareholders | \$ 230,653 | \$ 8,682 | \$ 5,350 | \$ (28,323) | \$ 8,861 | \$ 225,223 |
| Net income per diluted share | \$ 2.63 | \$ 0.10 | \$ 0.06 | \$ (0.32) | \$ 0.10 | \$ 2.57 |
| Effective tax rate | 12.3% | | | | | 24.0% |

Three months ended December 31, 2017 (Adjusted)

| | Reported GAAP measure | Intangible amortization expense | Restructuring & Integration charges | Impact of the Tax Act | Other** | Non-GAAP measure |
|---|-----------------------------|---------------------------------------|---|--------------------------|-----------|---------------------|
| Operating income | \$ 286,824 | \$ 12,162 | \$ 18,771 | \$ — | \$ 21,000 | \$ 338,757 |
| Income before income taxes | 226,914 | 12,162 | 18,771 | — | 35,499 | 293,346 |
| Provision for income taxes | 171,413 | 4,321 | 4,509 | (124,748) | 13,713 | 69,208 |
| Consolidated net income | 55,501 | 7,841 | 14,262 | 124,748 | 21,786 | 224,138 |
| Noncontrolling interests | 1,848 | 147 | — | — | — | 1,995 |
| Net income attributable to shareholders | \$ 53,653 | \$ 7,694 | \$ 14,262 | \$ 124,748 | \$ 21,786 | \$ 222,143 |
| Net income per diluted share | \$ 0.60 | \$ 0.09 | \$ 0.16 | \$ 1.40 | \$ 0.24 | \$ 2.49 |
| Effective tax rate | 75.5% | | | | | 23.6% |

Three months ended September 29, 2018

| | Reported GAAP measure | Intangible amortization expense | Restructuring & Integration charges | Impact of the Tax Act | Other*** | Non-GAAP measure |
|---|-----------------------------|---------------------------------------|---|--------------------------|----------|---------------------|
| Operating income | \$ 290,310 | \$ 11,620 | \$ 10,143 | \$ — | \$ 2,042 | \$ 314,115 |
| Income before income taxes | 235,227 | 11,620 | 10,143 | — | 972 | 257,962 |
| Provision for income taxes | 57,054 | 3,206 | 2,561 | — | 240 | 63,061 |
| Consolidated net income | 178,173 | 8,414 | 7,582 | — | 732 | 194,901 |
| Noncontrolling interests | 1,640 | 145 | — | — | — | 1,785 |
| Net income attributable to shareholders | \$ 176,533 | \$ 8,269 | \$ 7,582 | \$ — | \$ 732 | \$ 193,116 |
| Net income per diluted share | \$ 1.99 | \$ 0.09 | \$ 0.09 | \$ — | \$ 0.01 | \$ 2.18 |
| Effective tax rate | 24.3% | | | | | 24.4% |

*Other includes gain/loss on investments, net, and pension settlement.

**Other includes gain/loss on investments, net, pension settlement, and loss on disposition of businesses, net.

***Other includes gain/loss on investments, net, and loss on disposition of businesses, net.

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