ARROW ELECTRONICS INC (ARW)

10-Q

Quarterly report pursuant to sections 13 or 15(d)
Filed on 05/01/2012
Filed Period 03/31/2012

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UNITED STATES 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 31, 2012

OR

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

For the transition period from _____ to _____

Commission file number 1-4482

ARROW ELECTRONICS, INC.

(Exact name of registrant as specified in its charter)

New York	**11-1806155**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
7459 S. Lima Street, Englewood, Colorado	**80112**
(Address of principal executive offices)	(Zip Code)

(303) 824-4000
(Registrant's telephone number, including area code)

No Changes
(Former name, former address and former fiscal year, if changed since last report)

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 ☒ No ☐

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

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:

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐ (do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

There were 111,554,742 shares of Common Stock outstanding as of April 27, 2012 .

ARROW ELECTRONICS, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ARROW ELECTRONICS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands except per share data)
(Unaudited)

	Quarter Ended	
	March 31, 2012	April 2, 2011
Sales	$ 4,889,529	$ 5,223,003
Costs and expenses:		
Cost of sales	4,208,950	4,500,495
Selling, general and administrative expenses	455,837	464,920
Depreciation and amortization	29,050	22,938
Restructuring, integration, and other charges	8,243	9,607
Settlement of legal matter	—	5,875
	4,702,080	5,003,835
Operating income	187,449	219,168
Equity in earnings of affiliated companies	2,184	1,213
Gain on bargain purchase	—	1,755
Interest and other financing expense, net	27,132	25,767
Income before income taxes	162,501	196,369
Provision for income taxes	48,778	59,872
Consolidated net income	113,723	136,497
Noncontrolling interests	95	188
Net income attributable to shareholders	$ 113,628	$ 136,309
Net income per share:		
Basic	$ 1.01	$ 1.18
Diluted	$ 1.00	$ 1.16
Average number of shares outstanding:		
Basic	112,002	115,215
Diluted	114,077	117,428

See accompanying notes.

ARROW ELECTRONICS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Quarter Ended	
	March 31, 2012	**April 2, 2011**
Consolidated net income	$ 113,723	$ 136,497
Other comprehensive income:		
Foreign currency translation adjustments	48,035	82,879
Unrealized gain (loss) on investment securities, net	6,629	(3,665)
Unrealized gain on interest rate swaps designated as cash flow hedges, net	2,764	—
Other employee benefit plan items, net	489	(8)
Other comprehensive income	57,917	79,206
Comprehensive income	171,640	215,703
Less: Comprehensive income (loss) attributable to noncontrolling interest	(99)	188
Comprehensive income attributable to shareholders	$ 171,739	$ 215,515

See accompanying notes.

ARROW ELECTRONICS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands except par value)

	March 31, 2012	December 31, 2011
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 739,708	$ 396,887
Accounts receivable, net	4,207,647	4,482,117
Inventories	2,011,442	1,963,910
Other current assets	210,854	181,677
Total current assets	7,169,651	7,024,591
Property, plant and equipment, at cost:		
Land	23,925	23,790
Buildings and improvements	149,936	147,215
Machinery and equipment	962,053	934,558
	1,135,914	1,105,563
Less: Accumulated depreciation and amortization	(572,395)	(549,334)
Property, plant and equipment, net	563,519	556,229
Investments in affiliated companies	63,487	60,579
Intangible assets, net	420,728	392,763
Cost in excess of net assets of companies acquired	1,615,210	1,473,333
Other assets	306,153	321,584
Total assets	$ 10,138,748	$ 9,829,079
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 3,160,135	$ 3,264,088
Accrued expenses	608,652	660,996
Short-term borrowings, including current portion of long-term debt	30,554	33,843
Total current liabilities	3,799,341	3,958,927
Long-term debt	2,250,463	1,927,823
Other liabilities	280,142	267,069
Equity:		
Shareholders' equity:		
Common stock, par value $1:		
Authorized - 160,000 shares in 2012 and 2011		
Issued - 125,424 and 125,382 shares in 2012 and 2011, respectively	125,424	125,382
Capital in excess of par value	1,062,542	1,076,275
Treasury stock (13,877 and 13,568 shares in 2012 and 2011, respectively), at cost	(456,672)	(434,959)
Retained earnings	2,886,585	2,772,957
Foreign currency translation adjustment	206,585	158,550
Other	(19,511)	(29,393)
Total shareholders' equity	3,804,953	3,668,812
Noncontrolling interests	3,849	6,448
Total equity	3,808,802	3,675,260
Total liabilities and equity	$ 10,138,748	$ 9,829,079

See accompanying notes.

ARROW ELECTRONICS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Quarter Ended	
	March 31, 2012	**April 2, 2011**
Cash flows from operating activities:		
Consolidated net income	$ 113,723	$ 136,497
Adjustments to reconcile consolidated net income to net cash provided by (used for) operations:		
Depreciation and amortization	29,050	22,938
Amortization of stock-based compensation	7,255	10,357
Equity in earnings of affiliated companies	(2,184)	(1,213)
Deferred income taxes	18,961	(1,057)
Restructuring, integration, and other charges	6,141	7,199
Settlement of legal matter	—	3,609
Excess tax benefits from stock-based compensation arrangements	(4,947)	(5,728)
Other	(1,457)	(361)
Change in assets and liabilities, net of effects of acquired businesses:		
Accounts receivable	334,014	278,549
Inventories	(24,357)	37,981
Accounts payable	(135,198)	(574,003)
Accrued expenses	(64,564)	(43,109)
Other assets and liabilities	(26,102)	(51,328)
Net cash provided by (used for) operating activities	250,335	(179,669)
Cash flows from investing activities:		
Cash consideration paid for acquired businesses	(160,543)	(379,013)
Acquisition of property, plant and equipment	(22,253)	(18,177)
Net cash used for investing activities	(182,796)	(397,190)
Cash flows from financing activities:		
Change in short-term and other borrowings	(9,074)	(3,900)
Proceeds from long-term bank borrowings, net	329,700	190,800
Proceeds from exercise of stock options	10,138	27,150
Excess tax benefits from stock-based compensation arrangements	4,947	5,728
Repurchases of common stock	(57,684)	(46,447)
Net cash provided by financing activities	278,027	173,331
Effect of exchange rate changes on cash	(2,745)	(1,491)
Net increase (decrease) in cash and cash equivalents	342,821	(405,019)
Cash and cash equivalents at beginning of period	396,887	926,321
Cash and cash equivalents at end of period	$ 739,708	$ 521,302

See accompanying notes.

Note A – Basis of Presentation

The accompanying consolidated financial statements of Arrow Electronics, Inc. (the "company") were prepared in accordance with accounting principles generally accepted in the United States and reflect all adjustments of a normal recurring nature, which are, in the opinion of management, necessary for a fair presentation of the consolidated financial position and results of operations at and for the periods presented. The consolidated results of operations for the interim periods are not necessarily indicative of results for the full year.

These consolidated financial statements do not include all of the information or notes necessary for a complete presentation and, accordingly, should be read in conjunction with the company's audited consolidated financial statements and accompanying notes for the year ended December 31, 2011, as filed in the company's Annual Report on Form 10-K.

Quarter End

During the first quarter of 2012, the company began operating on a revised quarterly reporting calendar that closes on the Saturday closest to the end of the calendar quarter. There were 64 shipping days for both the first quarters of 2012 and 2011.

Reclassification

Certain prior period amounts were reclassified to conform to the current period presentation.

Note B – Acquisitions

The company accounts for acquisitions using the acquisition method of accounting. The results of operations of acquisitions are included in the company's consolidated results from their respective dates of acquisition. The company allocates the purchase price of each acquisition to the tangible assets, liabilities, and identifiable intangible assets acquired based on their estimated fair values. In certain circumstances, a portion of purchase price may be contingent upon the achievement of certain operating results. The fair values assigned to identifiable intangible assets acquired and contingent consideration were determined primarily by using an income approach which was based on assumptions and estimates made by management. Significant assumptions utilized in the income approach were based on company specific information and projections, which are not observable in the market and are thus considered Level 3 measurements by authoritative guidance. The excess of the purchase price over the fair value of the identified assets and liabilities has been recorded as goodwill. Any change in the estimated fair value of the net assets prior to the finalization of the allocation for acquisitions could change the amount of the purchase price allocable to goodwill. The company is not aware of any information that indicates the final purchase price allocations will differ materially from the preliminary estimates.

2012 Acquisitions

During the first quarter of 2012, the company completed four acquisitions. The aggregate consideration for these four acquisitions was $180,767, which included cash acquired of $7,900, debt paid at closing of $4,383, and $14,850 of contingent consideration. The impact of these acquisitions was not material, individually or in the aggregate, to the company's consolidated financial position or results of operations.

On April 3, 2012, the company announced an agreement to acquire the ALTIMATE Group ("ALTIMATE"), a subsidiary of DCC plc. ALTIMATE is a European value-added distributor of enterprise and midrange computing products, services, and solutions. This acquisition is subject to regulatory approval and is expected to close in the second quarter of 2012. This acquisition is not expected to have a material impact on the company's consolidated financial position or results of operations.

2011 Acquisitions

On March 1, 2011, the company acquired all of the assets and operations of the RF, Wireless and Power Division ("RFPD") of Richardson Electronics, Ltd. ("Richardson") for a purchase price of $235,973. Richardson RFPD is a leading value-added global component distributor and provider of engineered solutions serving the global radio frequency and wireless communications market. Richardson RFPD's product set includes devices for infrastructure and wireless networks, power management and alternative energy markets.

On January 3, 2011, the company acquired Nu Horizons Electronics Corp. ("Nu Horizons") for a purchase price of $161,125, which included cash acquired of $18,085 and $26,375 of debt paid at closing. Nu Horizons is a leading global distributor of advanced technology semiconductor, display, illumination, and power solutions to a wide variety of commercial original equipment manufacturers and electronic manufacturing service providers in the components business. The fair value of the net assets acquired relating to the Nu Horizons acquisition, including identifiable intangible assets, exceeded the purchase price paid. Accordingly, during the first quarter of 2011, the company recognized the excess of the fair value of the net assets acquired over purchase price paid of $1,755 ($1,078 net of related taxes or $.01 per share on both a basic and diluted basis) as a gain on bargain purchase which was subsequently adjusted downward by $667 ($410 net of related taxes) during the fourth quarter of 2011.

During 2011, the company also completed six additional acquisitions. The aggregate consideration for these six acquisitions was $175,892, which included $22,337 of cash acquired. The impact of these acquisitions was not material, individually or in the aggregate, to the company's consolidated financial position or results of operations.

The following table summarizes the company's unaudited consolidated results of operations for the first quarter of 2011, as well as the unaudited pro forma consolidated results of operations of the company, as though the 2011 acquisitions occurred on January 1:

	Quarter Ended April 2, 2011	
	As Reported	Pro Forma
Sales	$ 5,223,003	$ 5,354,821
Net income attributable to shareholders	136,309	140,276
Net income per share:		
Basic	$ 1.18	$ 1.22
Diluted	$ 1.16	$ 1.19

The unaudited pro forma consolidated results of operations do not purport to be indicative of the results obtained had these acquisitions occurred as of the beginning of 2011, or of those results that may be obtained in the future. Additionally, the above table does not reflect any anticipated cost savings or cross-selling opportunities expected to result from these acquisitions.

Other

During the first quarter of 2012, the company made a payment of $2,526 to increase its ownership in a majority-owned subsidiary. The payment was recorded as a reduction to capital in excess of par value, partially offset by the carrying value of the noncontrolling interest.

Note C – Cost in Excess of Net Assets of Companies Acquired and Intangible Assets, Net

Goodwill represents the excess of the cost of an acquisition over the fair value of the assets acquired. The company tests goodwill and other indefinite-lived intangible assets for impairment annually as of the first day of the fourth quarter, or more frequently if indicators of potential impairment exist.

Cost in excess of net assets of companies acquired, allocated to the company's business segments, is as follows:

	Global Components	Global ECS	Total
Balance as of December 31, 2011	$ 763,952	$ 709,381	$ 1,473,333
Acquisitions	137,777	—	137,777
Other (primarily foreign currency translation)	(2,717)	6,817	4,100
Balance as of March 31, 2012	$ 899,012	$ 716,198	$ 1,615,210

Intangible assets, net, are comprised of the following as of March 31, 2012:

	Weighted-Average Life	Gross Carrying Amount	Accumulated Amortization	Net
Trade names	indefinite	$ 179,000	$ —	$ 179,000
Customer relationships	11 years	300,939	(77,182)	223,757
Developed technology	6 years	15,759	(1,135)	14,624
Other intangible assets	(a)	9,547	(6,200)	3,347
		$ 505,245	$ (84,517)	$ 420,728

Intangible assets, net, are comprised of the following as of December 31, 2011:

	Weighted-Average Life	Gross Carrying Amount	Accumulated Amortization	Net
Trade names	indefinite	$ 179,000	$ —	$ 179,000
Customer relationships	11 years	267,729	(69,762)	197,967
Developed technology	6 years	11,029	(693)	10,336
Procurement agreement	5 years	12,000	(11,400)	600
Other intangible assets	(a)	14,573	(9,713)	4,860
		$ 484,331	$ (91,568)	$ 392,763

(a) Consists of non-competition agreements and sales backlog with useful lives ranging from one to three years.

Amortization expense related to identifiable intangible assets was $9,671 and $6,883 for the first quarters of 2012 and 2011 , respectively.

Note D – Investments in Affiliated Companies

The company owns a 50% interest in several joint ventures with Marubun Corporation (collectively "Marubun/Arrow") and a 50% interest in Arrow Altech Holdings (Pty.) Ltd. ("Altech Industries"), a joint venture with Allied Technologies Limited. These investments are accounted for using the equity method.

The following table presents the company's investment in Marubun/Arrow and the company's investment and long-term note receivable in Altech Industries:

	March 31, 2012	December 31, 2011
Marubun/Arrow	$ 47,363	$ 45,626
Altech Industries	16,124	14,953
	$ 63,487	$ 60,579

The equity in earnings of affiliated companies consists of the following:

	Quarter Ended	
	March 31, 2012	April 2, 2011
Marubun/Arrow	$ 1,616	$ 817
Altech Industries	568	396
	$ 2,184	$ 1,213

Under the terms of various joint venture agreements, the company is required to pay its pro-rata share of the third party debt of the joint ventures in the event that the joint ventures are unable to meet their obligations. At March 31, 2012 , the company's pro-rata share of this debt was approximately $11,200 . The company believes that there is sufficient equity in each of the joint ventures to meet their obligations.

Note E – Accounts Receivable

Accounts receivable, net, consists of the following:

	March 31, 2012	December 31, 2011
Accounts receivable	$ 4,253,528	$ 4,530,242
Allowances for doubtful accounts	(45,881)	(48,125)
Accounts receivable, net	$ 4,207,647	$ 4,482,117

The company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The allowances for doubtful accounts are determined using a combination of factors, including the length of time the receivables are outstanding, the current business environment, and historical experience.

Note F – Debt

At March 31, 2012 and December 31, 2011, short-term borrowings of $30,554 and $33,843, respectively, were primarily utilized to support the working capital requirements of certain international operations. The weighted average interest rates on these borrowings at March 31, 2012 and December 31, 2011 were 3.8% and 3.6%, respectively.

Long-term debt consists of the following:

	March 31, 2012	December 31, 2011
Revolving credit facility	$ 233,700	$ 74,000
Asset securitization program	450,000	280,000
6.875% senior notes, due 2013	340,299	341,937
3.375% notes, due 2015	259,779	260,461
6.875% senior debentures, due 2018	198,712	198,660
6.00% notes, due 2020	299,929	299,927
5.125% notes, due 2021	249,297	249,278
7.5% senior debentures, due 2027	197,925	197,890
Other obligations with various interest rates and due dates	20,822	25,670
	$ 2,250,463	$ 1,927,823

The 7.5% senior debentures are not redeemable prior to their maturity. The 6.875% senior notes, 3.375% notes, 6.875% senior debentures, 6.00% notes, and 5.125% notes may be called at the option of the company subject to "make whole" clauses.

The estimated fair market value, using quoted market prices, is as follows:

	March 31, 2012	December 31, 2011
6.875% senior notes, due 2013	$ 352,000	$ 352,000
3.375% notes, due 2015	257,500	250,000
6.875% senior debentures, due 2018	236,000	216,000
6.00% notes, due 2020	324,000	315,000
5.125% notes, due 2021	255,000	247,500
7.5% senior debentures, due 2027	220,000	244,000

The carrying amount of the company's short-term borrowings in various countries, revolving credit facility, asset securitization program, and other obligations approximate their fair value.

The company has a $1,200,000 revolving credit facility, maturing in August 2016. This facility may be used by the company for general corporate purposes including working capital in the ordinary course of business, letters of credit, repayment, prepayment or purchase of long-term indebtedness and acquisitions, and as support for the company's commercial paper program, as applicable. Interest on borrowings under the revolving credit facility is calculated using a base rate or a euro currency rate plus a spread based on the company's credit ratings (1.275% at March 31, 2012). The facility fee related to the revolving credit facility is .225%. The company had outstanding borrowings under the revolving credit facility of $233,700 and $74,000 at March 31, 2012 and December 31, 2011, respectively.

The company has a $775,000 asset securitization program collateralized by accounts receivable of certain of its United States subsidiaries, maturing in December 2014. The asset securitization program is conducted through Arrow Electronics Funding Corporation ("AFC"), a wholly-owned, bankruptcy remote subsidiary. The asset securitization program does not qualify for sale treatment. Accordingly, the accounts receivable and related debt obligation remain on the company's consolidated balance sheets. Interest on borrowings is calculated using a base rate or a commercial paper rate plus a spread, which is based on the company's credit ratings (.40% at March 31, 2012). The facility fee is .40% .

At March 31, 2012 and December 31, 2011, the company had $450,000 and $280,000, respectively, in outstanding borrowings under the asset securitization program, which was included in "Long-term debt" in the company's consolidated balance sheets, and total collateralized accounts receivable of approximately $1,370,130 and $1,562,613, respectively, were held by AFC and were included in "Accounts receivable, net" in the company's consolidated balance sheets. Any accounts receivable held by AFC would likely not be available to other creditors of the company in the event of bankruptcy or insolvency proceedings before repayment of any outstanding borrowings under the asset securitization program.

Both the revolving credit facility and asset securitization program include terms and conditions that limit the incurrence of additional borrowings, limit the company's ability to pay cash dividends or repurchase stock, and require that certain financial ratios be maintained at designated levels. The company was in compliance with all covenants as of March 31, 2012 and is currently not aware of any events that would cause non-compliance with any covenants in the future.

Interest and other financing expense, net, includes interest income of $585 and $1,368 for the first quarters of 2012 and 2011 , respectively.

Note G – Financial Instruments Measured at Fair Value

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The company utilizes a fair value hierarchy, which maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The fair value hierarchy has three levels of inputs that may be used to measure fair value:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 Quoted prices in markets that are not active; or other inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable.

The following table presents assets (liabilities) measured at fair value on a recurring basis at March 31, 2012:

	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 381,220	$ —	$ —	$ 381,220
Available-for-sale securities	54,216	—	—	54,216
Interest rate swaps	—	1,537	—	1,537
Foreign exchange contracts	—	(803)	—	(803)
Contingent consideration	—	—	(15,031)	(15,031)
	$ 435,436	$ 734	$ (15,031)	$ 421,139

The following table presents assets (liabilities) measured at fair value on a recurring basis at December 31, 2011:

	Level 1	Level 2	Level 3	Total
Available-for-sale securities	$ 45,421	$ —	$ —	$ 45,421
Interest rate swaps	—	(3,009)	—	(3,009)
Foreign exchange contracts	—	(649)	—	(649)
	$ 45,421	$ (3,658)	$ —	$ 41,763

The following table summarizes the Level 3 activity for the first quarter of 2012 :

Balance as of December 31, 2011	$ —
Fair value of initial contingent consideration	(14,850)
Change in fair value of contingent consideration included in earnings	(181)
Balance as of March 31, 2012	$ (15,031)

During the first quarters of 2012 and 2011, there were no transfers of assets (liabilities) measured at fair value between the three levels of the fair value hierarchy.

Available-For-Sale Securities

The company has a 2.0% equity ownership interest in WPG Holdings Co., Ltd. ("WPG") and an 8.4% equity ownership interest in Marubun Corporation ("Marubun"), which are accounted for as available-for-sale securities.

The fair value of the company's available-for-sale securities is as follows:

	March 31, 2012		December 31, 2011	
	Marubun	WPG	Marubun	WPG
Cost basis	$ 10,016	$ 10,798	$ 10,016	$ 10,798
Unrealized holding gain (loss)	1,900	31,502	(371)	24,978
Fair value	$ 11,916	$ 42,300	$ 9,645	$ 35,776

The fair value of these investments are included in "Other assets" in the company's consolidated balance sheets, and the related unrealized holding gains or losses are included in "Other" in the shareholders' equity section in the company's consolidated balance sheets.

Derivative Instruments

The company uses various financial instruments, including derivative financial instruments, for purposes other than trading. Derivatives used as part of the company's risk management strategy are designated at inception as hedges and measured for effectiveness both at inception and on an ongoing basis.

The fair values of derivative instruments in the consolidated balance sheets are as follows:

	Asset (Liability) Derivatives		
		Fair Value	
	Balance Sheet Location	March 31, 2012	December 31, 2011
Derivative instruments designated as hedges:			
Interest rate swaps designated as cash flow hedges	Other assets	$ 1,537	$ —
Interest rate swaps designated as cash flow hedges	Other liabilities	—	(3,009)
Foreign exchange contracts designated as cash flow hedges	Other current assets	122	73
Foreign exchange contracts designated as cash flow hedges	Accrued expenses	(291)	(641)
Total derivative instruments designated as hedging instruments		1,368	(3,577)
Derivative instruments not designated as hedges:			
Foreign exchange contracts	Other current assets	1,027	2,218
Foreign exchange contracts	Accrued expenses	(1,661)	(2,299)
Total derivative instruments not designated as hedging instruments		(634)	(81)
Total		$ 734	$ (3,658)

The effect of derivative instruments on the consolidated statement of operations is as follows:

	Gain (Loss) Recognized in Income	
	Quarter Ended	
	March 31, 2012	April 2, 2011
Derivative instruments not designated as hedges:		
Foreign exchange contracts (a)	$ (793)	$ (1,703)
Total	$ (793)	$ (1,703)

	Cash Flow Hedges	
	Interest Rate Swaps (b)	**Foreign Exchange Contracts** (c)
Quarter Ended March 31, 2012		
Effective portion:		
Gain (loss) recognized in other comprehensive income	$ 4,546	$ 440
Gain (loss) reclassified into income	$ —	$ (41)
Ineffective portion:		
Gain (loss) recognized in income	$ —	$ —
Quarter Ended April 2, 2011		
Effective portion:		
Gain (loss) recognized in other comprehensive income	$ —	$ 500
Gain (loss) reclassified into income	$ —	$ (44)
Ineffective portion :		
Gain (loss) recognized in income	$ —	$ —

(a) The amount of gain (loss) recognized in income on derivatives is recorded in "Cost of sales" in the company's consolidated statements of operations.

(b) Both the effective and ineffective portions of any gain (loss) reclassified or recognized in income are recorded in "Interest and other financing expense, net" in the company's consolidated statements of operations.

(c) Both the effective and ineffective portions of any gain (loss) reclassified or recognized in income are recorded in "Cost of sales" in the company's consolidated statements of operations.

Interest Rate Swaps

The company enters into interest rate swap transactions that convert certain fixed-rate debt to variable-rate debt or variable-rate debt to fixed-rate debt in order to manage its targeted mix of fixed- and floating-rate debt. The effective portion of the change in the fair value of interest rate swaps designated as fair value hedges is recorded as a change to the carrying value of the related hedged debt, and the effective portion of the change in fair value of interest rate swaps designated as cash flow hedges is recorded in the shareholders' equity section in the company's consolidated balance sheets in "Other." The ineffective portion of the interest rate swap, if any, is recorded in "Interest and other financing expense, net" in the company's consolidated statements of operations.

In September 2011, the company entered into a ten-year forward-starting interest rate swap (the "2011 swap") locking in a treasury rate of 2.63% with an aggregate notional amount of $175,000. This swap manages the risk associated with changes in treasury rates and the impact of future interest payments. The 2011 swap relates to the interest payments for anticipated debt issuances. Such anticipated debt issuances are expected to replace the outstanding debt maturing in July 2013. The 2011 swap is classified as a cash flow hedge and had a fair value and a negative fair value of $1,537 and $3,009 at March 31, 2012 and December 31, 2011, respectively.

Foreign Exchange Contracts

The company enters into foreign exchange forward, option, or swap contracts (collectively, the "foreign exchange contracts") to mitigate the impact of changes in foreign currency exchange rates. These contracts are executed to facilitate the hedging of foreign currency exposures resulting from inventory purchases and sales and generally have terms of no more than six months. Gains or losses on these contracts are deferred and recognized when the underlying future purchase or sale is recognized or when the corresponding asset or liability is revalued. The company does not enter into foreign exchange contracts for trading purposes. The risk of loss on a foreign exchange contract is the risk of nonperformance by the counterparties, which the company minimizes by

limiting its counterparties to major financial institutions. The fair value of the foreign exchange contracts are estimated using market quotes. The notional amount of the foreign exchange contracts at March 31, 2012 and December 31, 2011 was $322,683 and $332,881 , respectively.

Contingent Consideration

In connection with one of the 2012 acquisitions, payment of a portion of the respective purchase price is contingent upon the achievement of certain operating results, with a maximum possible payout of $18,000 over a three-year period. The company estimated the fair value of the contingent consideration as the present value of the expected contingent payments, determined using the weighted probabilities of the possible payments. The company reassesses the fair value of contingent consideration on a quarterly basis. Of the total contingent consideration as of March 31, 2012, $4,305 is included in "Accrued expenses" and $10,726 is included in "Other liabilities" in the company's consolidated balance sheets.

Other

The carrying amount of cash and cash equivalents, accounts receivable, net, and accounts payable approximate their fair value due to the short maturities of these financial instruments.

Cash equivalents consist primarily of overnight time deposits and institutional money market funds with quality financial institutions. These financial institutions are located in many different geographical regions, and the company's policy is designed to limit exposure with any one institution. As part of its cash and risk management processes, the company performs periodic evaluations of the relative credit standing of these financial institutions.

Note H – Restructuring, Integration, and Other Charges

During the first quarters of 2012 and 2011 , the company recorded restructuring, integration, and other charges of $8,243 ($6,141 net of related taxes or $.05 per share on both a basic and diluted basis) and $9,607 ($7,199 net of related taxes or $.06 per share on both a basic and diluted basis), respectively.

The following table presents the components of the restructuring, integration, and other charges:

	Quarter Ended	
	March 31, 2012	April 2, 2011
Restructuring charges - current period actions	$ 5,417	$ 4,355
Restructuring and integration charges (credits) - actions taken in prior periods	487	(79)
Acquisition-related expenses	2,339	5,331
	$ 8,243	$ 9,607

2012 Restructuring Charge

The following table presents the components of the 2012 restructuring charge of $5,417 and activity in the related restructuring accrual for the first quarter of 2012:

	Personnel Costs	Facilities	Other	Total
Restructuring charge	$ 4,608	$ 103	$ 706	$ 5,417
Payments	(2,026)	(10)	—	(2,036)
Non-cash usage	—	—	(706)	(706)
Foreign currency translation	14	—	—	14
Balance as of March 31, 2012	$ 2,596	$ 93	$ —	$ 2,689

The restructuring charge of $5,417 for the first quarter of 2012 primarily includes personnel costs of $4,608, facilities costs of $103, and other charges of $706. The personnel costs are related to the elimination of approximately 95 positions within the global components business segment and approximately 35 positions within the global ECS business segment. The facilities costs are related to exit activities for a vacated facility in the Americas due to the company's continued efforts to streamline its operations and reduce real estate costs. These initiatives are due to the company's continued efforts to lower cost and drive operational efficiency.

2011 Restructuring Charge

The following table presents the activity in the restructuring accrual for the first quarter of 2012 related to the 2011 restructuring:

	Personnel Costs	Facilities	Total
December 31, 2011	$ 5,517	$ 3,190	$ 8,707
Restructuring charge	1,651	190	1,841
Payments	(3,112)	(745)	(3,857)
Foreign currency translation	104	8	112
Balance as of March 31, 2012	$ 4,160	$ 2,643	$ 6,803

Restructuring and Integration Accruals Related to Actions Taken Prior to 2011

The following table presents the activity in the restructuring and integration accruals for the first quarter of 2012 related to restructuring and integration actions taken prior to 2011:

	Personnel Costs	Facilities	Other	Total
December 31, 2011	$ 511	$ 3,882	$ 1,309	$ 5,702
Restructuring and integration charges (credits)	(85)	40	(1,309)	(1,354)
Payments	(55)	(450)	—	(505)
Foreign currency translation	11	68	—	79
Balance as of March 31, 2012	$ 382	$ 3,540	$ —	$ 3,922

Restructuring and Integration Accrual Summary

In summary, the restructuring and integration accruals aggregate $13,414 at March 31, 2012, all of which is expected to be spent in cash, and are expected to be utilized as follows:

- The accruals for personnel costs of $7,138 to cover the termination of personnel are primarily expected to be spent within one year.
- The accruals for facilities totaling $6,276 relate to vacated leased properties that have scheduled payments of $3,354 in 2012, $1,452 in 2013, $637 in 2014, $366 in 2015, $284 in 2016, and $183 thereafter.

Acquisition-Related Expenses

Included in restructuring, integration, and other charges are acquisition-related expenses of $2,339 and $5,331 for the first quarters of 2012 and 2011, respectively, primarily consisting of professional fees directly related to recent acquisition activity.

Note I – Net Income per Share

The following table sets forth the computation of net income per share on a basic and diluted basis (shares in thousands):

	Quarter Ended	
	March 31, 2012	April 2, 2011
Net income attributable to shareholders	$ 113,628	$ 136,309
Weighted average shares outstanding - basic	112,002	115,215
Net effect of various dilutive stock-based compensation awards	2,075	2,213
Weighted average shares outstanding - diluted	114,077	117,428
Net income per share:		
Basic	$ 1.01	$ 1.18
Diluted (a)	$ 1.00	$ 1.16

(a) Stock-based compensation awards for the issuance of 589 and 256 shares for the first quarters of 2012 and 2011, respectively, were excluded from the computation of net income per share on a diluted basis as their effect was anti-dilutive.

Note J – Shareholders' Equity

Share-Repurchase Program

During 2011, the company's Board of Directors approved the repurchase of up to $250,000 of the company's common stock through two share-repurchase programs. As of March 31, 2012, the company repurchased 4,482,609 shares under these programs with a market value of $149,698 at the dates of repurchase.

Note K – Employee Benefit Plans

The company maintains supplemental executive retirement plans and a defined benefit plan. The components of the net periodic benefit costs for these plans are as follows:

	Quarter Ended	
	March 31, 2012	April 2, 2011
Components of net periodic benefit costs:		
Service cost	$ 516	$ 381
Interest cost	2,201	2,274
Expected return on plan assets	(1,509)	(1,656)
Amortization of unrecognized net loss	951	858
Amortization of prior service cost	11	11
Net periodic benefit costs	$ 2,170	$ 1,868

Note L - Contingencies

Settlement of Legal Matter

During the first quarter of 2011, the company recorded a charge of $5,875 ($3,609 net of related taxes or $.03 per share on both a basic and diluted basis) in connection with the settlement of a legal matter, inclusive of related legal costs. This matter related to a customer dispute that originated in 1997. The company had successfully defended itself in a trial, but the verdict was subsequently overturned, in part, by an appellate court and remanded for a new trial. The company ultimately decided to settle this matter to avoid further legal expense and the burden on management's time that such a trial would entail.

Tekelec Matter

In 2000, the company purchased Tekelec Europe SA ("Tekelec") from Tekelec Airtronic SA ("Airtronic") and certain other selling shareholders. Subsequent to the closing of the acquisition, Tekelec received a product liability claim in the amount of €11,333 . The product liability claim was the subject of a French legal proceeding started by the claimant in 2002, under which separate determinations were made as to whether the products that are subject to the claim were defective and the amount of damages sustained by the purchaser. The manufacturer of the products also participated in this proceeding. The claimant has commenced legal proceedings against Tekelec and its insurers to recover damages in the amount of €3,742 and expenses of €312 plus interest. The company believes that any amount in addition to the amount accrued by the company would not materially adversely impact the company's consolidated financial position, liquidity, or results of operations.

Environmental and Related Matters

Wyle Claims

In connection with the 2000 purchase of Wyle from the VEBA Group ("VEBA"), the company assumed certain of the then outstanding obligations of Wyle, including Wyle's 1994 indemnification of the purchasers of its Wyle Laboratories division for environmental clean-up costs associated with any then existing contamination or violation of environmental regulations. Under the terms of the company's purchase of Wyle from VEBA, VEBA agreed to indemnify the company for costs associated with the Wyle environmental indemnities, among other things. The company is aware of two Wyle Laboratories facilities (in Huntsville, Alabama and Norco, California) at which contaminated groundwater was identified. Each site will require remediation, the final form and cost of which is undetermined.

Wyle Laboratories has demanded indemnification from the company with respect to the work at both sites (and in connection with the litigation discussed below), and the company has, in turn, demanded indemnification from VEBA. VEBA merged with a publicly-traded, German conglomerate in June 2000. The combined entity, now known as E.ON AG, remains responsible for VEBA's liabilities. E.ON AG acknowledged liability under the terms of the VEBA contract in connection with the Norco and Huntsville sites and made an initial, partial payment. Neither the company's demands for subsequent payments nor its demand for defense and indemnification in the related litigation and other costs associated with the Norco site were met.

Related Litigation

In October 2005, the company filed suit against E.ON AG in the Frankfurt am Main Regional Court in Germany. The suit seeks indemnification, contribution, and a declaration of the parties' respective rights and obligations in connection with the Riverside County litigation (discussed below) and other costs associated with the Norco site. In its answer to the company's claim filed in March 2009 in the German proceedings, E.ON AG filed a counterclaim against the company for approximately $16,000. The company believes it has reasonable defenses to the counterclaim and plans to defend its position vigorously. The company believes that the ultimate resolution of the counterclaim will not materially adversely impact the company's consolidated financial position, liquidity, or results of operations. The litigation is currently suspended while the company engages in a court-facilitated mediation with E.ON AG. The mediation commenced in December 2009 and is ongoing.

The company was named as a defendant in several suits related to the Norco facility, all of which were consolidated for pre-trial purposes. In January 2005, an action was filed in the California Superior Court in Riverside County, California (Gloria Austin, *et al*. v. Wyle Laboratories, Inc. *et al*.). Approximately 90 plaintiff landowners and residents sued a number of defendants under a variety of theories for unquantified damages allegedly caused by environmental contamination at and around the Norco site. Also filed in the Superior Court in Riverside County were Jimmy Gandara, *et al.* v. Wyle Laboratories, Inc. *et al.* in January 2006, and Lisa Briones, *et al*. v. Wyle Laboratories, Inc. *et al*. in May 2006; both of which contain allegations similar to those in the Austin case on behalf of approximately 20 additional plaintiffs. All of these matters have now been resolved to the satisfaction of the parties.

The company was also named as a defendant in a lawsuit filed in September 2006 in the United States District Court for the Central District of California (Apollo Associates, L.P., *et anno.* v. Arrow Electronics, Inc. *et al.*) in connection with alleged contamination at a third site, an industrial building formerly leased by Wyle Laboratories, in El Segundo, California. The lawsuit was settled, though the possibility remains that government entities or others may attempt to involve the company in further characterization or remediation of groundwater issues in the area.

Environmental Matters - Huntsville

Characterization of the extent of contaminated soil and groundwater continues at the site in Huntsville, Alabama. Under the direction of the Alabama Department of Environmental Management, approximately $4,000 was spent to date. The pace of the ongoing remedial investigations, project management and regulatory oversight is likely to increase somewhat and though the complete scope of the activities is not yet known, the company currently estimates additional investigative and related expenditures at the site of approximately $500 to $750. The nature and scope of both feasibility studies and subsequent remediation at the site has not yet been determined, but assuming the outcome includes source control and certain other measures, the cost is estimated to be between $3,000 and $4,000.

Despite the amount of work undertaken and planned to date, the company is unable to estimate any potential costs in addition to those discussed above because the complete scope of the work is not yet known, and, accordingly, the associated costs have yet to be determined.

Environmental Matters - Norco

In October 2003, the company entered into a consent decree with Wyle Laboratories and the California Department of Toxic Substance Control (the "DTSC") in connection with the Norco site. In April 2005, a Remedial Investigation Work Plan was approved by DTSC that provided for site-wide characterization of known and potential environmental issues. Investigations performed in connection with this work plan and a series of subsequent technical memoranda continued until the filing of a final Remedial Investigation Report early in 2008. The development of a final Remedial Action Work Plan is ongoing. Approximately $31,000 was expended to date on project management, regulatory oversight, and investigative and feasibility study activities. The company currently estimates that the additional cost of project management and regulatory oversight will range from $200 to $300 . Project management and regulatory oversight include costs incurred by Wyle Laboratories and project consultants for project management and costs billed by DTSC to provide regulatory oversight. Ongoing remedial investigations (including costs related to soil and groundwater investigations), and the preparation of a final remedial investigation report are projected to cost between $250 to $500 .

Work is under way pertaining to the remediation of contaminated groundwater at certain areas on the Norco site and of soil gas in a limited area immediately adjacent to the site. In 2008, a hydraulic containment system was installed to capture and treat groundwater before it moves into the adjacent offsite area. Approximately $11,000 was expended on remediation to date, and it is anticipated that these activities, along with the initial phases of the treatment of contaminated groundwater in the offsite area and remaining Remedial Action Work Plan costs, will give rise to an additional estimated $12,500 to $24,250.

Despite the amount of work undertaken and planned to date, the company is unable to estimate any potential costs in addition to those discussed above because the complete scope of the work under the consent decree is not yet known, and, accordingly, the associated costs have yet to be determined.

Impact on Financial Statements

The company believes that any cost which it may incur in connection with environmental conditions at the Norco, Huntsville, and El Segundo sites and the related litigation is covered by the contractual indemnifications (except, under the terms of the environmental indemnification, for the first $450), discussed above. The company believes that the recovery of costs incurred to date associated with the environmental clean-up of the Norco and Huntsville sites, is probable. Accordingly, the company increased the receivable for amounts due from E.ON AG by $583 during 2012 to $49,537 . The company's net costs for such indemnified matters may vary from period to period as estimates of recoveries are not always recognized in the same period as the accrual of estimated expenses.

As successor-in-interest to Wyle, the company is the beneficiary of various Wyle insurance policies that covered liabilities arising out of operations at Norco and Huntsville. Certain of the insurance carriers implicated in the Riverside County litigation have undertaken substantial portions of the defense of the company, and the company has recovered approximately $13,000 from them to date. However, the company has sued certain other umbrella liability policy carriers because they have yet to make payment on claims filed by the company. These disputes generally relate to the umbrella liability policy carriers' proportional share of the total liability as opposed to the applicability of coverage.

The company believes strongly in the merits of its positions regarding the E.ON AG indemnity and the liabilities of the insurance carriers.

Also included in the proceedings against E.ON AG is a claim for the reimbursement of pre-acquisition tax liabilities of Wyle in the amount of $8,729 for which E.ON AG is also contractually liable to indemnify the company. E.ON AG has specifically acknowledged owing the company not less than $6,335 of such amounts, but its promises to make payments of at least that amount were not kept. The company also believes that the recovery of these amounts is probable.

In connection with the acquisition of Wyle, the company acquired a $4,495 tax receivable due from E.ON AG (as successor to VEBA) in respect of certain tax payments made by Wyle prior to the effective date of the acquisition, the recovery of which the company also believes is probable.

The receivable for amounts due from E.ON AG for the previously mentioned tax and environmental matters and related litigation are included in "Other Assets" in the company's consolidated balance sheets. The company's basis for the conclusion that recovery of these amounts are probable is based upon its determination that it has appropriate legal rights to seek reimbursement under the indemnification agreement with E.ON AG, as well as the company's ability to seek reimbursement under the various Wyle insurance policies. The timing of the collection of these amounts is contingent upon resolution of the court-facilitated mediation or litigation with E.ON AG, the completion of settlement agreements with certain insurers, and the resolution of litigation currently pending with certain other insurance carriers. The resolution of these matters could likely take several years.

Other

From time to time, in the normal course of business, the company may become liable with respect to other pending and threatened litigation, environmental, regulatory, labor, product, and tax matters. While such matters are subject to inherent uncertainties, it is not currently anticipated that any such matters will materially impact the company's consolidated financial position, liquidity, or results of operations.

Note M – Segment and Geographic Information

The company is a global provider of products, services, and solutions to industrial and commercial users of electronic components and enterprise computing solutions. The company distributes electronic components to original equipment manufacturers and contract manufacturers through its global components business segment and provides enterprise computing solutions to value-added resellers through its global ECS business segment. As a result of the company's philosophy of maximizing operating efficiencies through the centralization of certain functions, selected fixed assets and related depreciation, as well as borrowings, are not directly attributable to the individual operating segments and are included in the corporate business segment.

Sales and operating income (loss), by segment, are as follows:

	Quarter Ended	
	March 31, 2012	**April 2, 2011**
Sales:		
Global components	$ 3,349,554	$ 3,886,600
Global ECS	1,539,975	1,336,403
Consolidated	$ 4,889,529	$ 5,223,003
Operating income (loss):		
Global components	$ 170,708	$ 228,881
Global ECS	55,487	39,080
Corporate (a)	(38,746)	(48,793)
Consolidated	$ 187,449	$ 219,168

(a) Includes restructuring, integration, and other charges of $8,243 and $9,607 for the first quarters of 2012 and 2011, respectively. Also included in the first quarter of 2011 is a charge of $5,875 related to the settlement of a legal matter.

Total assets, by segment, are as follows:

	March 31, 2012	December 31, 2011
Global components	$ 6,645,773	$ 5,974,174
Global ECS	2,832,709	3,206,788
Corporate	660,266	648,117
Consolidated	$ 10,138,748	$ 9,829,079

Sales, by geographic area, are as follows:

	Quarter Ended	
	March 31, 2012	April 2, 2011
Americas (b)	$ 2,531,780	$ 2,391,801
EMEA (c)	1,530,027	1,816,564
Asia/Pacific	827,722	1,014,638
Consolidated	$ 4,889,529	$ 5,223,003

(b) Includes sales related to the United States of $2,300,996 and $2,161,349 for the first quarters of 2012 and 2011, respectively.

(c) Defined as Europe, the Middle East, and Africa.

Net property, plant and equipment, by geographic area, is as follows:

	March 31, 2012	December 31, 2011
Americas (d)	$ 483,653	$ 479,420
EMEA	59,474	56,552
Asia/Pacific	20,392	20,257
Consolidated	$ 563,519	$ 556,229

(d) Includes net property, plant and equipment related to the United States of $482,475 and $478,376 at March 31, 2012 and December 31, 2011 , respectively.

Item 2. **Management's Discussion and Analysis of Financial Condition and Results of Operations**

Overview

Arrow Electronics, Inc. (the "company") is a global provider of products, services, and solutions to industrial and commercial users of electronic components and enterprise computing solutions. The company provides one of the broadest product offerings in the electronic components and enterprise computing solutions distribution industries and a wide range of value-added services to help customers introduce innovative products, reduce their time to market, and enhance their overall competitiveness. The company has two business segments, the global components business segment and the global enterprise computing solutions ("ECS") business segment. The company distributes electronic components to original equipment manufacturers and contract manufacturers through its global components business segment and provides enterprise computing solutions to value-added resellers through its global ECS business segment. For the first quarter of 2012, approximately 69% of the company's sales were from the global components business segment, and approximately 31% of the company's sales were from the global ECS business segment.

The company's financial objectives are to grow sales faster than the market, increase the markets served, grow profits faster than sales, and increase return on invested capital. To achieve its objectives, the company seeks to capture significant opportunities to grow across products, markets, and geographies. To supplement its organic growth strategy, the company continually evaluates strategic acquisitions to broaden its product and value-added service offerings, increase its market penetration, and/or expand its geographic reach.

On March 1, 2011, the company acquired all of the assets and operations of the RF, Wireless and Power Division ("RFPD") of Richardson Electronics, Ltd. ("Richardson") for a purchase price of $236.0 million. On January 3, 2011, the company acquired Nu Horizons Electronics Corp. ("Nu Horizons") for a purchase price of $161.1 million, which included cash acquired of $18.1 million and $26.4 million of debt paid at closing.

During the first quarter of 2012, the company completed four acquisitions. During 2011, the company also completed six additional acquisitions. The impacts of these acquisitions were not material, individually or in the aggregate, to the company's consolidated financial position and results of operations.

Consolidated sales for the first quarter of 2012 declined by 6.4%, compared with the year-earlier period, due to a 13.8% decrease in the global components business segment sales, offset, in part, by a 15.2% increase in the global ECS business segment sales. The translation of the company's international financial statements into U.S. dollars resulted in a decrease in consolidated sales of $77.2 million for the first quarter of 2012, compared with the year-earlier period, due to a stronger U.S. dollar. Excluding the impact of foreign currency and pro forma for acquisitions, the company's consolidated sales decreased by 7.9% for the first quarter of 2012.

Net income attributable to shareholders decreased to $113.6 million in the first quarter of 2012 , compared with net income attributable to shareholders of $136.3 million in the year-earlier period. The following items impacted the comparability of the company's results for the first quarters of 2012 and 2011 :

- restructuring, integration, and other charges of $8.2 million ($6.1 million net of related taxes) in 2012 and $9.6 million ($7.2 million net of related taxes) in 2011 ;
- a charge of $5.9 million ($3.6 million net of related taxes) related to the settlement of a legal matter in 2011; and
- a gain on bargain purchase of $1.8 million ($1.1 million net of related taxes) in 2011.

Excluding the above-mentioned items, the decrease in net income attributable to shareholders for the first quarter of 2012 was primarily the result of a decrease in sales and a corresponding decrease in gross profit in the company's global components business segment.

Substantially all of the company's sales are made on an order-by-order basis, rather than through long-term sales contracts. As such, the nature of the company's business does not provide for the visibility of material forward-looking information from its customers and suppliers beyond a few months.

Sales

Following is an analysis of net sales by reportable segment (in millions):

	Quarter Ended		
	March 31, 2012	April 2, 2011	% Change
Global components	$ 3,350	$ 3,887	(13.8)%
Global ECS	1,540	1,336	15.2 %
Consolidated	$ 4,890	$ 5,223	(6.4)%

Consolidated sales for the first quarter of 2012 decreased by $333.5 million, or 6.4%, compared with the year-earlier period. The decrease for the first quarter of 2012 was driven by a decrease in the global components business segment sales of $537.0 million, or 13.8%, offset, in part, by an increase in the global ECS business segment sales of $203.6 million, or 15.2%, compared with the year-earlier period. The translation of the company's international financial statements into U.S. dollars resulted in a decrease in consolidated sales of $77.2 million for the first quarter of 2012 compared with the year-earlier period, due to a stronger U.S. dollar. Excluding the impact of foreign currency and pro forma for acquisitions, the company's consolidated sales decreased by 7.9% for the first quarter of 2012.

In the global components business segment, sales for the first quarter of 2012 decreased primarily due to a decline in demand for products globally and by the impact of a stronger U.S. dollar on the translation of the company’s international financial statements. Excluding the impact of foreign currency and pro forma for acquisitions, the company's global components business segment sales decreased by 15.3% for the first quarter of 2012.

In the global ECS business segment, sales for the first quarter of 2012 increased due to higher demand for products in both North America and the EMEA region (defined as Europe, the Middle East, and Africa). The increase in sales for the first quarter of 2012 was due to growth in storage, services, and software. Excluding the impact of foreign currency and pro forma for acquisitions, the company's global ECS business segment sales increased by 13.8% for the first quarter of 2012.

Gross Profit

The company recorded gross profit of $680.6 million in the first quarter of 2012 compared with $722.5 million in the year-earlier period. The decrease in gross profit was primarily due to the aforementioned 6.4% decrease in sales during the first quarter of 2012. The gross profit margin for the first quarter of 2012 increased by approximately 10 basis points compared with the year-earlier period due primarily to higher gross margins attributable to recent acquisitions. Excluding the impact of foreign currency and pro forma for acquisitions, gross profit margins decreased approximately 30 basis points for the first quarter of 2012, primarily due to a change in mix of products and customers.

Selling, General and Administrative Expenses and Depreciation and Amortization

Selling, general and administrative expenses decreased $9.1 million, or 2.0%, in the first quarter of 2012 on a sales decrease of 6.4%, compared with the first quarter of 2011. Selling, general and administrative expenses, as a percentage of sales was 9.3% and 8.9% for the first quarters of 2012 and 2011, respectively. The decrease in selling, general and administrative expenses for the first quarter of 2012 was due to the decrease in sales, offset, in part, by certain recent acquisitions which have a higher operating cost structure relative to the company's other businesses which is offset by higher gross profit margins for those businesses. The dollar increase in selling, general and administrative expenses for the first quarter of 2012 attributable to acquisitions was approximately $30 million.

Depreciation and amortization expense increased by $6.1 million , or 26.6% , for the first quarter of 2012 , compared with the year-earlier period, primarily due to increased depreciation associated with the company's enterprise resource planning ("ERP") initiative and increased depreciation and amortization associated with acquisitions.

Excluding the impact of foreign currency and pro forma for acquisitions, operating expenses (which include both selling, general and administrative expenses and depreciation and amortization expense) for the first quarter of 2012 decreased 5.3% on a sales decrease of 7.9%, as compared with the year-earlier period.

Restructuring, Integration, and Other Charges

2012 Charges

The company recorded restructuring, integration, and other charges of $8.2 million ($6.1 million net of related taxes or $.05 per share on both a basic and diluted basis) for the first quarter of 2012. Included in the restructuring, integration, and other charges for the first quarter of 2012 is a restructuring charge of $5.4 million related to initiatives taken by the company to improve operating efficiencies. Also included in the restructuring, integration, and other charges for the first quarter of 2012 is a charge of $.5 million related to restructuring and integration actions taken in prior periods and acquisition-related expenses of $2.3 million.

The restructuring charge of $5.4 million for the first quarter of 2012 primarily includes personnel costs of $4.6 million, facilities costs of $.1 million, and other charges of $.7 million. The personnel costs are related to the elimination of approximately 95 positions within the global components business segment and approximately 35 positions within the global ECS business segment. The facilities costs are related to exit activities for a vacated facility in the Americas due to the company's continued efforts to streamline its operations and reduce real estate costs. These initiatives are due to the company's continued efforts to lower cost and drive operational efficiency.

2011 Charges

The company recorded restructuring, integration, and other charges of $9.6 million ($7.2 million net of related taxes or $.06 per share on both a basic and diluted basis) for the first quarter of 2011 . Included in the restructuring, integration, and other charges for the first quarter of 2011 is a restructuring charge of $4.4 million related to initiatives taken by the company to improve operating efficiencies. Also included in the restructuring, integration, and other charges for the first quarter of 2011 is a credit of $.1 million related to restructuring and integration actions taken in prior periods and acquisition-related expenses of $5.3 million .

The restructuring charge of $4.4 million for the first quarter of 2011 primarily includes personnel costs of $2.1 million and facilities costs of $2.3 million. The personnel costs are related to the elimination of approximately 60 positions within the global components business segment and 10 positions within the global ECS business segment. The facilities costs are related to exit activities for three vacated facilities in the Americas due to the company's continued efforts to streamline its operations and reduce real estate costs. These initiatives are due to the company's continued efforts to lower cost and drive operational efficiency.

As of March 31, 2012, the company does not anticipate there will be any material adjustments relating to the aforementioned restructuring plans. Refer to Note H, "Restructuring, Integration, and Other Charges," of the Notes to the Consolidated Financial Statements for further discussion of the company's restructuring and integration activities.

Settlement of Legal Matter

During the first quarter of 2011, the company recorded a charge of $5.9 million ($3.6 million net of related taxes or $.03 per share on both a basic and diluted basis) in connection with the settlement of a legal matter, inclusive of related legal costs. This matter related to a customer dispute that originated in 1997. The company had successfully defended itself in a trial, but the verdict was subsequently overturned, in part, by an appellate court and remanded for a new trial. The company ultimately decided to settle this matter to avoid further legal expense and the burden on management's time that such a trial would entail.

Operating Income

The company recorded operating income of $187.4 million, or 3.8% of sales, in the first quarter of 2012, compared with operating income of $219.2 million, or 4.2% of sales, in the year-earlier period. Included in operating income for the first quarters of 2012 and 2011 were the previously discussed restructuring, integration, and other charges of $8.2 million and $9.6 million, respectively. Also included in operating income for the first quarter of 2011 was the previously discussed charge of $5.9 million related to the settlement of a legal matter.

Gain on Bargain Purchase

During the first quarter of 2011, the company acquired Nu Horizons for less than the fair value of its net assets due to Nu Horizons' stock trading below its book value for an extended period of time prior to the announcement of the acquisition. The company offered a purchase price per share for Nu Horizons that was above the prevailing stock price thereby representing a premium to the shareholders. The acquisition of Nu Horizons by the company was approved by Nu Horizons' shareholders. During the first quarter of 2011, the company recognized the excess of the fair value of the net assets acquired over the purchase price paid of

$1.8 million ($1.1 million net of related taxes or $.01 per share on both a basic and diluted basis) as a gain on bargain purchase which was subsequently adjusted downward by $.7 million ($.4 million net of related taxes) during the fourth quarter of 2011.

Interest and Other Financing Expense, Net

Net interest and other financing expense increased by 5.3%, in the first quarter of 2012 to $27.1 million, compared with $25.8 million in the year-earlier period, due primarily to higher average debt outstanding primarily to fund acquisitions.

Income Taxes

The company recorded a provision for income taxes of $48.8 million (an effective tax rate of 30.0%) for the first quarter of 2012. The company's provision for income taxes and effective tax rate for the first quarter of 2012 was impacted by the previously discussed restructuring, integration, and other charges. Excluding the impact of the above-mentioned item, the company's effective tax rate for the first quarter of 2012 was 29.8%.

The company recorded a provision for income taxes of $59.9 million (an effective tax rate of 30.5%) for the first quarter of 2011 . The company's provision for income taxes and effective tax rate for the first quarter of 2011 was impacted by the previously discussed restructuring, integration, and other charges, charge related to the settlement of a legal matter, and the gain on bargain purchase. Excluding the impact of the above-mentioned items, the company's effective tax rate for the first quarter of 2011 was 30.4% .

The company's provision for income taxes and effective tax rate are impacted by, among other factors, the statutory tax rates in the countries in which it operates and the related level of income generated by these operations.

Net Income Attributable to Shareholders

The company recorded net income attributable to shareholders of $113.6 million in the first quarter of 2012, compared with net income attributable to shareholders of $136.3 million in the year-earlier period. Included in net income attributable to shareholders for the first quarters of 2012 and 2011 were the previously discussed restructuring, integration, and other charges of $6.1 million and $7.2 million, respectively. Also included in net income attributable to shareholders for the first quarter of 2011 was a charge of $3.6 million related to the settlement of a legal matter and a gain on bargain purchase of $1.1 million. Excluding the above-mentioned items, the decrease in net income attributable to shareholders for the first quarter of 2012 was primarily the result of a decrease in sales and a corresponding decrease in gross profit in the company's global components business segment.

Liquidity and Capital Resources

At March 31, 2012 and December 31, 2011, the company had cash and cash equivalents of $739.7 million and $396.9 million, respectively, of which $700.1 million and $361.5 million, respectively, were held outside the United States. Liquidity is affected by many factors, some of which are based on normal ongoing operations of the company's business and some of which arise from fluctuations related to global economics and markets. Cash balances are generated and held in many locations throughout the world. It is the company's current intent to permanently reinvest these funds outside the United States and its current plans do not demonstrate a need to repatriate them to fund its United States operations. If these funds were to be needed for the company's operations in the United States, it would be required to record and pay significant United States income taxes to repatriate these funds. Additionally, local government regulations may restrict the company's ability to move cash balances to meet cash needs under certain circumstances. The company currently does not expect such regulations and restrictions to impact its ability to make acquisitions or to pay vendors and conduct operations throughout the global organization.

During the first quarter of 2012 , the net amount of cash provided by the company's operating activities was $250.3 million , the net amount of cash used for investing activities was $182.8 million , and the net amount of cash provided by financing activities was $278.0 million . The effect of exchange rate changes on cash was an decrease of $2.7 million .

During the first quarter of 2011, the net amount of cash used for the company's operating activities was $179.7 million, the net amount of cash used for investing activities was $397.2 million, and the net amount of cash provided by financing activities was $173.3 million. The effect of exchange rate changes on cash was a decrease of $1.5 million.

Cash Flows from Operating Activities

The company maintains a significant investment in accounts receivable and inventories. As a percentage of total assets, accounts receivable and inventories were approximately 61.3% and 65.6% at March 31, 2012 and December 31, 2011, respectively.

The net amount of cash provided by the company's operating activities during the first quarter of 2012 was $250.3 million and was primarily due to earnings from operations, adjusted for non-cash items, and a decrease in net working capital due to a decline in sales.

The net amount of cash used for the company's operating activities during the first quarter of 2011 was $179.7 million and was primarily due to an increase in net working capital to support the increase in sales, offset, in part, by earnings from operations, adjusted for non-cash items.

Working capital as a percentage of sales was 15.6% in the first quarter of 2012 compared with 14.3% in the first quarter of 2011.

Cash Flows from Investing Activities

The net amount of cash used for investing activities during the first quarter of 2012 was $182.8 million , primarily reflecting $160.5 million of cash consideration paid for acquired businesses and $22.3 million for capital expenditures. Included in capital expenditures for the first quarter of 2012 is $14.6 million related to the company's ERP initiative.

During the first quarter of 2012, the company completed four acquisitions for aggregate cash consideration of $158.0 million. In addition, the company made a payment of $2.5 million to increase its ownership interest in a majority-owned subsidiary.

The net amount of cash used for investing activities during the first quarter of 2011 was $397.2 million, primarily reflecting $379.0 million of cash consideration paid for acquired businesses and $18.2 million for capital expenditures. Included in capital expenditures for the first quarter of 2011 is $13.3 million related to the company's global ERP initiative.

During the first quarter of 2011, the company acquired Richardson RFPD, a leading value-added global component distributor and provider of engineered solutions serving the global radio frequency and wireless communications market and Nu Horizons, a leading global distributor of advanced technology semiconductor, display, illumination, and power solutions, for aggregate cash consideration of $379.0 million.

The company has initiated a global ERP effort to standardize processes worldwide and adopt best-in-class capabilities. Implementation is expected to be phased-in over the next several years. For the full year 2012, the estimated cash flow impact of this initiative is expected to be in the $50 to $60 million range with the impact decreasing by approximately $20 million in 2013. The company expects to finance these costs with cash flows from operations.

Cash Flows from Financing Activities

The net amount of cash provided by financing activities during the first quarter of 2012 was $278.0 million. The primary sources of cash from financing activities during the first quarter of 2012 were $329.7 million of net proceeds from long-term bank borrowings, $10.1 million of proceeds from the exercise of stock options, and $4.9 million related to excess tax benefits from stock-based compensation arrangements. The primary use of cash from financing activities included $57.7 million of repurchases of common stock and a $9.1 million repayment of short-term and other borrowings.

The net amount of cash provided by financing activities during the first quarter of 2011 was $173.3 million. The primary sources of cash from financing activities during the first quarter of 2011 were $190.8 million of net proceeds from long-term bank borrowings, $27.2 million of proceeds from the exercise of stock options, and $5.7 million related to excess tax benefits from stock-based compensation arrangements. The primary use of cash for financing activities included $46.4 million of repurchases of common stock and a $3.9 million repayment of short-term and other borrowings.

The company has a $1.20 billion revolving credit facility, maturing in August 2016. This facility may be used by the company for general corporate purposes including working capital in the ordinary course of business, letters of credit, repayment, prepayment or purchase of long-term indebtedness and acquisitions, and as support for the company's commercial paper program, as applicable. Interest on borrowings under the revolving credit facility is calculated using a base rate or a euro currency rate plus a spread based on the company's credit ratings (1.275% at March 31, 2012). The facility fee related to the revolving credit facility is .225% . The company had outstanding borrowings under the revolving credit facility of $233.7 million and $74.0 million at March 31, 2012 and December 31, 2011 , respectively. During the first quarter s of 2012 and 2011 , the average daily balance outstanding under the revolving credit facility was $236.1 million and $129.0 million , respectively.

The company has a $775.0 million asset securitization program collateralized by accounts receivable of certain of its United States subsidiaries, maturing in December 2014. Interest on borrowings is calculated using a base rate or a commercial paper rate plus a spread, which is based on the company's credit ratings (.40% at March 31, 2012). The facility fee is .40%. The company had

$450.0 million and $280.0 million in outstanding borrowings under the asset securitization program at March 31, 2012 and December 31, 2011 , respectively. During the first quarter s of 2012 and 2011 , the average daily balance outstanding under the asset securitization program was $529.0 million and $229.7 million , respectively.

Both the revolving credit facility and asset securitization program include terms and conditions that limit the incurrence of additional borrowings, limit the company's ability to pay cash dividends or repurchase stock, and require that certain financial ratios be maintained at designated levels. The company was in compliance with all covenants as of March 31, 2012 and is currently not aware of any events that would cause non-compliance with any covenants in the future.

In the normal course of business certain of the company's subsidiaries have agreements to sell, without recourse, selected trade receivables to financial institutions. The company does not retain financial or legal interests in these receivables, and accordingly they are accounted for as sales of the related receivables and the receivables are removed from the company's consolidated balance sheets. Financing costs related to these transactions were not material and are included in "Interest and other financing expense, net" in the company's consolidated statements of operations.

The company filed a shelf registration statement with the SEC in September 2009 registering debt securities, preferred stock, common stock, and warrants of Arrow Electronics, Inc. that may be issued by the company from time to time. As set forth in the shelf registration statement, the net proceeds from the sale of the offered securities may be used by the company for general corporate purposes, including repayment of borrowings, working capital, capital expenditures, acquisitions and stock repurchases, or for such other purposes as may be specified in the applicable prospectus supplement.

Management believes that the company's current cash availability, its current borrowing capacity under its revolving credit facility and asset securitization program, its expected ability to generate future operating cash flows, and the company's access to capital markets are sufficient to meet its projected cash flow needs for the foreseeable future. The company continually evaluates its liquidity requirements and would seek to amend its existing borrowing capacity or access the financial markets as deemed necessary.

Contractual Obligations

The company has contractual obligations for short-term and long-term debt, interest on short-term and long-term debt, capital leases, operating leases, purchase obligations, and certain other long-term liabilities that were summarized in a table of Contractual Obligations in the company's Annual Report on Form 10-K for the year ended December 31, 2011 . Since December 31, 2011 , there were no material changes to the contractual obligations of the company, outside the ordinary course of the company's business, except as follows:

- at March 31, 2012 , the company had $233.7 million in outstanding borrowings under the revolving credit facility which matures in August 2016; and
- at March 31, 2012, the company had $450.0 million in outstanding borrowings under the asset securitization program which matures in December 2014.

Share-Repurchase Program

During 2011, the company's Board of Directors approved the repurchase of up to $250 million of the company's common stock through two share-repurchase programs. As of March 31, 2012, the company repurchased 4,482,609 shares under these programs with a market value of $149.7 million at the dates of repurchase.

Off-Balance Sheet Arrangements

The company has no off-balance sheet financing or unconsolidated special purpose entities.

Critical Accounting Policies and Estimates

The company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the company to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses and related disclosure of contingent assets and liabilities. The company evaluates its estimates on an ongoing basis. The company bases its estimates on historical experience and on various other assumptions that are believed reasonable under the circumstances; the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

There were no significant changes during the first quarter of 2012 to the items disclosed as Critical Accounting Policies and Estimates in Management's Discussion and Analysis of Financial Condition and Results of Operations in the company's Annual Report on Form 10-K for the year ended December 31, 2011.

Information Relating to Forward-Looking Statements

This report 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, the 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 ECS markets, changes in relationships with key suppliers, increased profit margin pressure, the effects of additional actions taken to become more efficient or lower costs, 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There were no material changes in market risk for changes in foreign currency exchange rates and interest rates from the information provided in Item 7A – Quantitative and Qualitative Disclosures About Market Risk in the company's Annual Report on Form 10-K for the year ended December 31, 2011, except as follows:

Foreign Currency Exchange Rate Risk

The notional amount of the foreign exchange contracts at March 31, 2012 and December 31, 2011 was $322.7 million and $332.9 million, respectively. The fair values of foreign exchange contracts, which are nominal, are estimated using market quotes. The translation of the financial statements of the non-United States operations is impacted by fluctuations in foreign currency exchange rates. The change in consolidated sales and operating income was impacted by the translation of the company's international financial statements into U.S. dollars. For the first quarter of 2012, the translation of the company's international financial statements into U.S. dollars resulted in an decrease in sales and operating income of $77.2 million and $3.9 million, respectively, compared with the year-earlier period, due to a stronger U.S. dollar. Sales and operating income would decrease by approximately $153.3 million and $5.3 million, respectively, if average foreign exchange rates declined by 10% against the U.S. dollar in the first quarter of 2012. These amounts were determined by considering the impact of a hypothetical foreign exchange rate on the sales and operating income of the company's international operations.

Interest Rate Risk

At March 31, 2012, approximately 69% of the company's debt was subject to fixed rates, and 31% of its debt was subject to floating rates. A one percentage point change in average interest rates would not materially impact net interest and other financing expense for the first quarter of 2012. This was determined by considering the impact of a hypothetical interest rate on the company's average floating rate on investments and outstanding debt. This analysis does not consider the effect of the level of overall economic activity that could exist. In the event of a change in the level of economic activity, which may adversely impact interest rates, the company could likely take actions to further mitigate any potential negative exposure to the change. However, due to the uncertainty of the specific actions that might be taken and their possible effects, the sensitivity analysis assumes no changes in the company's financial structure.

In September 2011, the company entered into a ten-year forward-starting interest rate swap (the "2011 swap") locking in a treasury rate of 2.63% with an aggregate notional amount of $175.0 million . This swap manages the risk associated with changes in treasury rates and the impact of future interest payments. The 2011 swap relates to the interest payments for anticipated debt issuances. Such anticipated debt issuances are expected to replace the outstanding debt maturing in July 2013. The 2011 swap is classified as a cash flow hedge and had a fair value and a negative fair value of $1.5 million and $3.0 million at March 31, 2012 and December 31, 2011 , respectively.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The company’s management, under the supervision and with the participation of the company’s Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the company’s disclosure controls and procedures as of March 31, 2012 (the "Evaluation"). Based upon the Evaluation, the company’s Chief Executive Officer and Chief Financial Officer concluded that the company’s disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934) are effective.

Changes in Internal Control over Financial Reporting

There was no change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

There were no material changes to the company's risk factors as discussed in Item 1A - Risk Factors in the company's Annual Report on Form 10-K for the year ended December 31, 2011 .

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

During 2011, the company's Board of Directors approved the repurchase of up to $250 million of the company's common stock through two share-repurchase programs (the "2011 share-repurchase programs").

The following table shows the share-repurchase activity for the quarter ended March 31, 2012:

Month	Total Number of Shares Purchased(a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program(b)	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program
January 1 through January 31, 2012	—	$ —	—	$ 150,300,608
February 1 through February 29, 2012	1,044,942	40.46	856,285	115,704,073
March 1 through March 31, 2012	380,850	40.44	380,822	100,302,466
Total	1,425,792		1,237,107	

(a) Includes share repurchases under the 2011 share-repurchase programs and those associated with shares withheld from employees for stock-based awards, as permitted by the Omnibus Incentive Plan, in order to satisfy the required tax withholding obligations.

(b) The difference between the "total number of shares purchased" and the "total number of shares purchased as part of publicly announced program" for the quarter ended March 31, 2012 is 188,685 shares, which relate to shares withheld from employees for stock-based awards, as permitted by the Omnibus Incentive Plan, in order to satisfy the required tax withholding obligations. The purchase of these shares were not made pursuant to any publicly announced repurchase plan.

Item 6. **Exhibits**

Exhibit Number	Exhibit
31(i)	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31(ii)	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32(i)	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32(ii)	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Documents.
101.DEF*	XBRL Taxonomy Definition Linkbase Document.

* XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

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.

ARROW ELECTRONICS, INC.

Date: May 1, 2012 By: /s/ Paul J. Reilly

Paul J. Reilly

Executive Vice President, Finance and Operations, and Chief Financial Officer

Exhibit 31(i)

Arrow Electronics, Inc.
Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Michael J. Long, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Arrow Electronics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 1, 2012 By: /s/ Michael J. Long

Michael J. Long
Chairman, President, and Chief Executive Officer

Exhibit 31(ii)

Arrow Electronics, Inc.
Certification of Chief Financial Officer Pursuant to Section 302 of the
Sarbanes-Oxley Act of 2002

I, Paul J. Reilly, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Arrow Electronics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 1, 2012

By: /s/ Paul J. Reilly

Paul J. Reilly
Executive Vice President, Finance and Operations,
and Chief Financial Officer

Exhibit 32(i)

Arrow Electronics, Inc.
Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906")

In connection with the Quarterly Report on Form 10-Q of Arrow Electronics, Inc. (the "company") for the quarter ended March 31, 2012 (the "Report"), I, Michael J. Long, Chairman, President, and Chief Executive Officer of the company, certify, pursuant to the requirements of Section 906, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the company.

Date: May 1, 2012

By: /s/ Michael J. Long
Michael J. Long
Chairman, President, and Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the company and will be retained by the company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(ii)

Arrow Electronics, Inc.
Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (“Section 906”)

In connection with the Quarterly Report on Form 10-Q of Arrow Electronics, Inc. (the "company") for the quarter ended March 31, 2012 (the "Report"), I, Paul J. Reilly, Executive Vice President, Finance and Operations, and Chief Financial Officer of the company, certify, pursuant to the requirements of Section 906, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the company.

Date: May 1, 2012

By: /s/ Paul J. Reilly
Paul J. Reilly
Executive Vice President, Finance and
Operations, and Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the company and will be retained by the company and furnished to the Securities and Exchange Commission or its staff upon request.