

Second Quarter

2017

CFO Commentary

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

The following reported and adjusted information included in this CFO commentary is unaudited and should be read in conjunction with the company's Form 10-Q for the quarterly period ended July 1, 2017, and the Annual Report on form 10-K as filed with the Securities and Exchange Commission.

Second-quarter 2017 sales increased 8% year over year; sales increased 9% year over year adjusted for acquisitions and changes in foreign currencies.

Second-Quarter Summary

We delivered record second-quarter sales, gross profit, and non-GAAP earnings per share. Second-quarter sales were above the high end of our expectation. Second-quarter operating expenses were well-managed and aligned to our business mix.

Global components achieved record second-quarter sales that exceeded our expectation. Second-quarter global component sales grew 16% year over year. Asia sales grew 21% year over year driven by our investments in sales and engineering resources. Americas sales grew 15% year over year with growth from our digital platform, sustainable technology solutions, and our core distribution business. Europe again delivered sales growth, up 16% year over year adjusted for changes in foreign currencies, the 17th straight quarter of adjusted year-over-year growth. Global components' operating income increased 11% year over year and non-GAAP operating income increased 9% year over year.

Second-quarter enterprise computing solutions sales declined 5% year over year adjusted for changes in foreign currencies and were in line with our expectation. Billings grew led by software, including cloud, but were offset by a decline in hardware. Second-quarter enterprise computing solutions operating income decreased 2% year over year and non-GAAP operating income decreased 3% year over year.

We delivered record second-quarter sales, gross profit, and non-GAAP earnings per share.

Consolidated Overview

Second Quarter 2017

P&L Highlights*	Q2 2017	Y/Y Change	Y/Y Change Adjusted for Acquisitions & Currency	Q/Q Change
Sales	\$6,465	8%	9%	12%
Gross Profit Margin	12.7%	-70bps	-70bps	-50bps
Operating Income	\$230	3%	3%	20%
Operating Margin	3.6%	-10bps	-20bps	+30bps
Non-GAAP Operating Income	\$267	5%	5%	21%
Non-GAAP Operating Margin	4.1%	-20bps	-20bps	+30bps
Net Income	\$100	(26)%	(26)%	(12)%
Diluted EPS	\$1.11	(23)%	(23)%	(12)%
Non-GAAP Net Income	\$160	5%	5%	21%
Non-GAAP Diluted EPS	\$1.78	8%	8%	22%

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

- Consolidated sales were \$6.47 billion
 - Above the high end of our prior expectation of \$5.975-\$6.375 billion
- Consolidated gross profit margin was 12.7%
 - Decreased 70 basis points year over year due to global components business mix, principally in the Americas and Europe
 - Decreased 50 basis points quarter over quarter due to mix across the businesses.
- Operating income margin was 3.6% and non-GAAP operating income margin was 4.1%
 - Operating expenses as a percentage of sales were 8.8%, down 60 basis points year over year
 - Non-GAAP operating expenses as a percentage of sales were 8.6%, down 50 basis points year over year
 - The decline in operating expense as a percentage of sales reflects the operational efficiencies we achieved to align our costs to our business mix
- Interest and other expense, net was \$42 million
 - Increased \$3 million year over year due to higher debt balances and higher interest rates on floating-rate debt

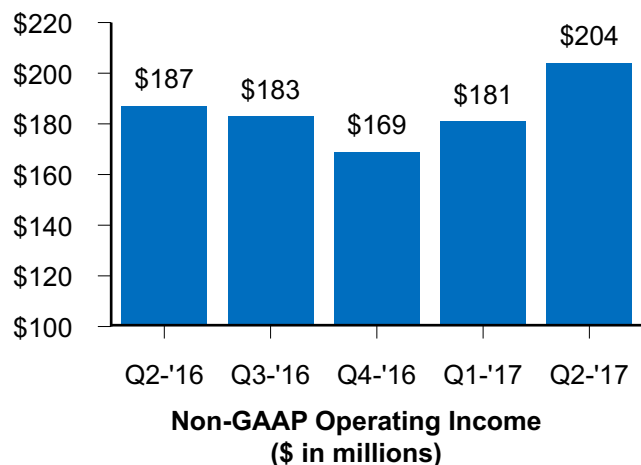
Second-Quarter 2017 CFO Commentary

- Effective tax rate for the quarter was 22.7%, and non-GAAP effective tax rate was 28.4%
 - Non-GAAP effective tax rate was toward the higher end of our longer term range of 27-29% due to timing of discrete items between the first and second quarters
- Diluted shares outstanding were 90 million
 - In line with our prior expectation
- Diluted earnings per share were \$1.11
 - Below our prior expectation of \$1.50-1.62
 - Included a net \$0.40 charge for extinguishment of debt
- Non-GAAP diluted earnings per share were \$1.78
 - Toward the higher end of our prior expectation of \$1.70-1.82

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

Components

Global

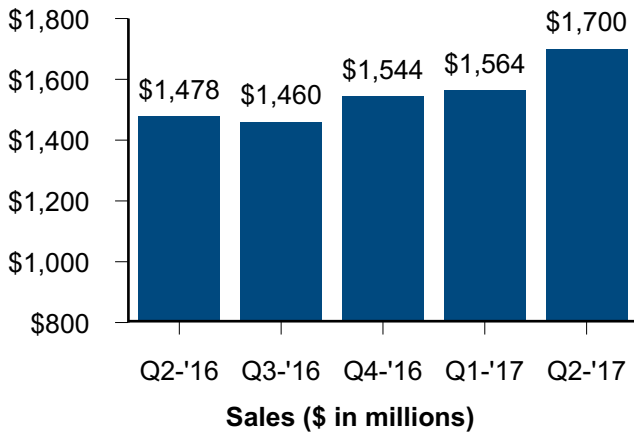


Global components posted record second-quarter sales.

- Sales increased 17% year over year adjusted for acquisitions and changes in foreign currencies
 - Increased 16% year over year as reported
- Lead times are in line with historical norms
- Backlog increased significantly year over year
- Book-to-bill was 1.14, up from 1.03 in the second quarter of 2016
- Operating margin of 4.4% decreased 20 basis points year over year
- Non-GAAP operating margin of 4.6% decreased 30 basis points year over year
 - The operating margin decline was principally attributable to business mix in the Americas region
- Return on working capital declined 260 basis points year over year due to investments in inventory to support growth and new supplier engagements, and collections timing on rapidly growing sales

Components

Americas

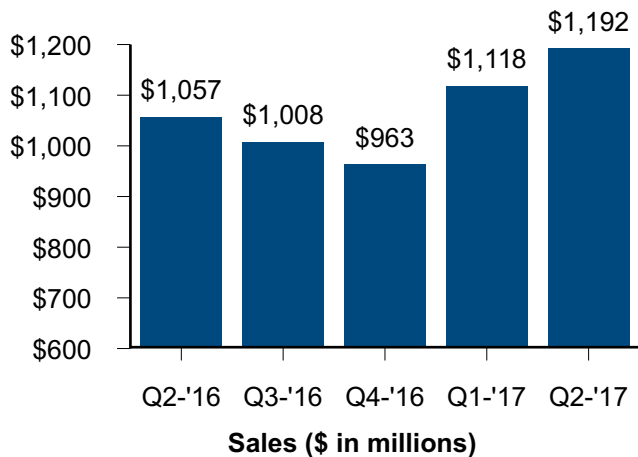


- Sales increased 15% year over year
 - Record second-quarter sales
 - Strong growth in digital platform and sustainable technology solutions
 - Growth in core components distribution
 - Growth across nearly all verticals year over year

Americas components sales increased 15% year over year.

Components

Europe

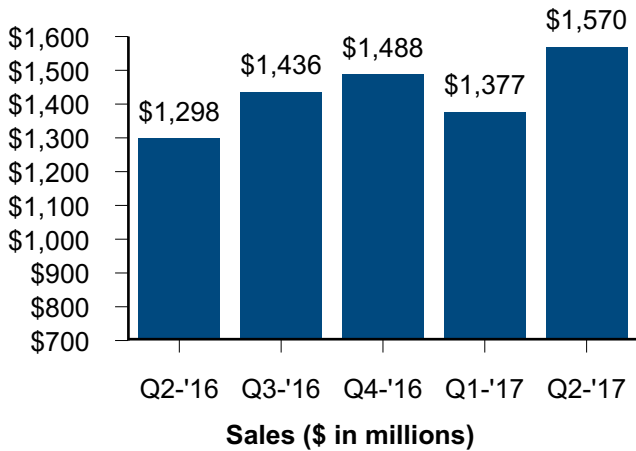


- Sales increased 16% year over year adjusted for the impact of changes in foreign currencies
 - Sales increased 13% year over year as reported
 - Record second-quarter sales
 - Growth in the aerospace and defense, transportation, and lighting verticals year over year

Europe components sales increased 16% year over year adjusted for changes in foreign currencies.

Components

Asia

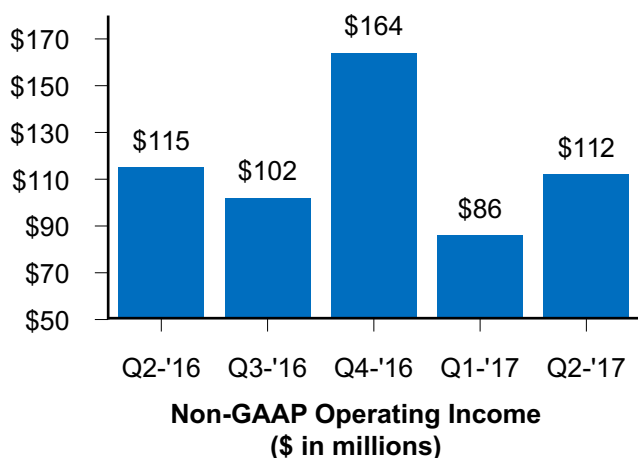


- Sales increased 21% year over year
 - Record second-quarter sales
 - Strong growth in the transportation vertical year over year

Asia components sales increased 21% year over year.

Enterprise Computing Solutions

Global

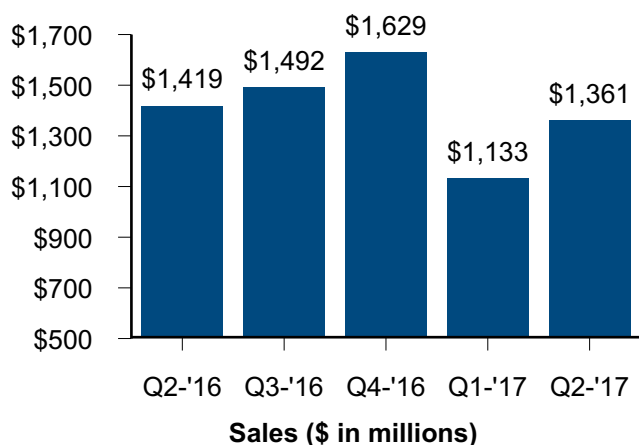


Enterprise computing solutions posted record second-quarter operating margin.

- Sales decreased 6% year over year
 - Sales decreased 5% year over year adjusted for acquisitions and changes in foreign currencies
- Billings increased year over year adjusted for changes in foreign currencies
- Operating margin of 5.3% increased 20 basis points year over year
- Non-GAAP operating margin of 5.6% increased 20 basis points year over year
- Return on working capital increased year over year for the 15th consecutive quarter

Enterprise Computing Solutions

Americas

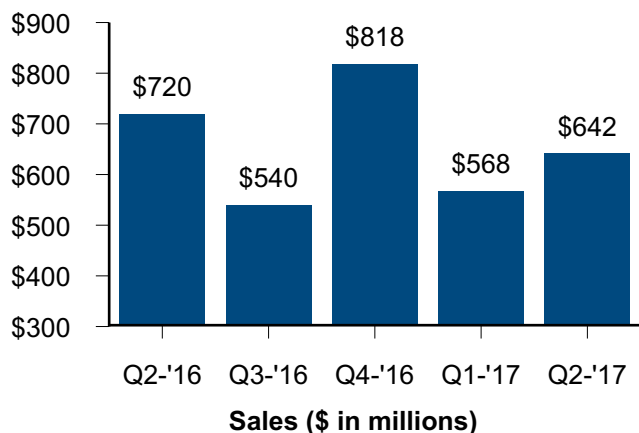


- Sales decreased 4% year over year
 - Growth in infrastructure software led by virtualization and security
 - Growth in networking
 - Servers and storage declined year over year

ECS Americas
infrastructure software
and networking grew
year over year.

Enterprise Computing Solutions

Europe



ECS Europe operating income increased year over year.

- Sales decreased 7% year over year adjusted for changes in foreign currencies
 - Sales decreased 11% year over year as reported
 - Growth in infrastructure software led by virtualization and security adjusted for changes in foreign currencies
 - Growth in services adjusted for changes in foreign currencies
 - Hardware, including servers, storage and networking declined year over year
 - Operating income increased year over year

Cash Flow from Operations

Cash flow from operating activities was negative \$112 million in the quarter.

Working Capital

Working capital to sales was 16.7% in the quarter, up 180 basis points year over year. Return on working capital was 24.8% in the quarter, down 370 basis points year over year.

Return on Invested Capital

Return on invested capital was 10.4% in the quarter, ahead of our weighted average cost of capital.

Share Buyback

We repurchased approximately 0.7 million shares of our stock for \$55 million. Total cash returned to shareholders over the last 12 months was approximately \$277 million.

Debt and Liquidity

Net-debt-to-last-12-months EBITDA ratio is approximately 2.4x. Total liquidity of \$2.4 billion when including cash of \$420 million.

We repurchased approximately \$55 million of our stock in the second quarter.

Arrow Electronics Outlook

Guidance

We are expecting the average USD-to-Euro exchange rate for the third quarter of 2017 to be \$1.15 to €1 compared with \$1.12 to €1 in the third quarter of 2016.

Third-Quarter 2017 Guidance

Consolidated Sales	\$6.325 billion to \$6.725 billion
Global Components	\$4.4 billion to \$4.6 billion
Global ECS	\$1.925 billion to \$2.125 billion
Diluted Earnings Per Share	\$1.49 to 1.61
Non-GAAP Diluted Earnings Per Share	\$1.74 to 1.86

* Assumes average diluted shares outstanding of 89 million, an average tax rate of 27 to 29%.

Risk Factors

The discussion of the company's business and operations should be read together with the risk factors contained in Item 1A of its 2016 Annual Report on Form 10-K, filed with the Securities and Exchange Commission, which describe various risks and uncertainties to which the company is or may become subject. If any of the described events occur, the company's business, results of operations, financial condition, liquidity, or access to the capital markets could be materially adversely affected.

Information Relating to Forward-Looking Statements

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

For a further discussion of factors to consider in connection with these forward-looking statements, investors should refer to Item 1A Risk Factors of the company's Annual Report on Form 10-K for the year ended December 31, 2016.

Certain Non-GAAP Financial Information

In addition to disclosing financial results that are determined in accordance with accounting principles generally accepted in the United States (“GAAP”), the company also provides certain non-GAAP financial information relating to sales, operating income, net income attributable to shareholders, and net income per basic and diluted share. The company provides sales, income, or expense on a non-GAAP basis adjusted for the impact of changes in foreign currencies and the impact of acquisitions by adjusting the company’s operating results for businesses acquired, including the amortization expense related to acquired intangible assets, as if the acquisitions had occurred at the beginning of the earliest period presented (referred to as “impact of acquisitions”). Operating income, net income attributable to shareholders, and net income per basic and diluted share are adjusted to exclude identifiable intangible amortization, restructuring, integration, and other charges, and certain charges, credits, gains, and losses that the company believes impact the comparability of its results of operations. These charges, credits, gains, and losses arise out of the company’s efficiency enhancement initiatives, acquisitions (including intangible assets amortization expense), and financing activities. A reconciliation of the company’s non-GAAP financial information to GAAP is set forth in the tables herein.

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

primary indicators management uses as a basis for evaluating the company’s financial and operating performance. In addition, the company’s Board of Directors may use this non-GAAP financial information in evaluating management performance and setting management compensation.

The presentation of this additional non-GAAP financial information is not meant to be considered in isolation or as a substitute for, or alternative to, operating income, net income attributable to shareholders and net income per basic and diluted share determined in accordance with GAAP. Analysis of results and outlook on a non-GAAP basis should be used as a complement to, and in conjunction with, data presented in accordance with GAAP.

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

Earnings Reconciliation

(\$ in thousands, except per share data)

Three months ended July 1, 2017

	Reported GAAP measure	Intangible amortization expense	Restructuring & Integration charges	Other*	Non-GAAP measure
Operating income	\$ 229,822	\$ 12,364	\$ 24,416	\$ —	\$ 266,602
Income before income taxes	130,179	12,364	24,416	58,009	224,968
Provision for income taxes	29,575	4,388	7,576	22,377	63,916
Consolidated net income	100,604	7,976	16,840	35,632	161,052
Noncontrolling interests	925	157	—	—	1,082
Net income attributable to shareholders	\$ 99,679	\$ 7,819	\$ 16,840	\$ 35,632	\$ 159,970
Net income per diluted share**	1.11	0.09	0.19	0.40	1.78
Effective tax rate	22.7%				28.4%

Three months ended July 2, 2016

	Reported GAAP measure	Intangible amortization expense	Restructuring & Integration charges	Other	Non-GAAP measure
Operating income	\$ 223,592	\$ 14,446	\$ 16,106	\$ —	\$ 254,144
Income before income taxes	186,795	14,446	16,106	—	217,347
Provision for income taxes	51,457	5,119	6,370	—	62,946
Consolidated net income	135,338	9,327	9,736	—	154,401
Noncontrolling interests	1,068	592	—	—	1,660
Net income attributable to shareholders	\$ 134,270	\$ 8,735	\$ 9,736	\$ —	\$ 152,741
Net income per diluted share	1.45	0.09	0.11	—	1.65
Effective tax rate	27.5%				29.0%

Three months ended April 1, 2017

	Reported GAAP measure	Intangible amortization expense	Restructuring & Integration charges	Other	Non-GAAP measure
Operating income	\$ 191,722	\$ 12,900	\$ 15,505	\$ —	\$ 220,127
Income before income taxes	154,574	12,900	15,505	—	182,979
Provision for income taxes	39,224	4,561	4,997	—	48,782
Consolidated net income	115,350	8,339	10,508	—	134,197
Noncontrolling interests	1,582	251	—	—	1,833
Net income attributable to shareholders	\$ 113,768	\$ 8,088	\$ 10,508	\$ —	\$ 132,364
Net income per diluted share**	1.26	0.09	0.12	—	1.46
Effective tax rate	25.4%				26.7%

*Other includes loss on extinguishment of debt and gain on sale of investment.

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