



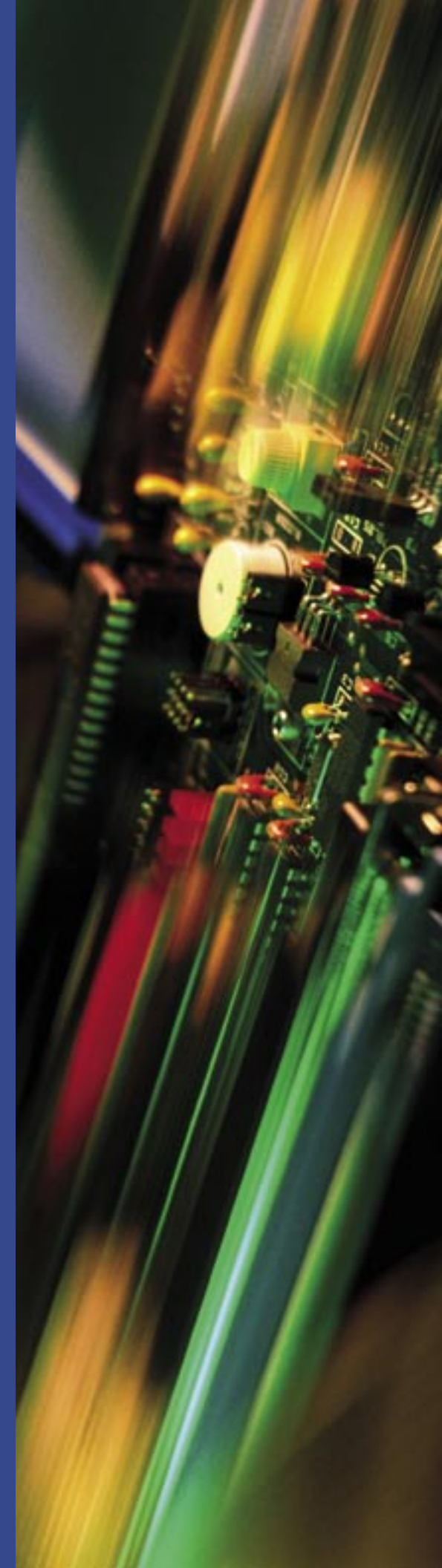
ARROW ELECTRONICS, INC.

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MELVILLE, NY 11747-4210  
www.arrow.com



ARROW ELECTRONICS, INC.  
ANNUAL REPORT 2003

POWERING  
THE GLOBAL  
SUPPLY CHAIN



## ARROW AT A GLANCE

### BUSINESS SUMMARY

Arrow Electronics is a major global provider of products, services, and solutions to industrial and commercial users of electronic components and computer products. Headquartered in Melville, New York, Arrow serves as a supply channel partner for more than 600 suppliers and 150,000 original equipment manufacturers, contract manufacturers, and commercial customers through a global network of more than 200 locations in 41 countries and territories. More information about Arrow may be found at [www.arrow.com](http://www.arrow.com).

**NUMBER OF EMPLOYEES** 11,200

**NUMBER OF CUSTOMERS** 150,000

**NUMBER OF SUPPLIERS** 600

**WORLDWIDE LOCATIONS** 200

### 2003 REVENUE

Worldwide Components \$6.4 billion

Worldwide Computer Products \$2.3 billion

### SELECTED 2003 HONORS AND RECOGNITION

- Named a "Most Admired Company" by *Fortune* magazine
- Named to *Training* magazine's "Training Top 100"
- Named to the "InfoWorld 100" by *InfoWorld* magazine
- Named to the "CIO 100" by *CIO* magazine
- Named "Best of the Web" by *Forbes.com*
- Named a "Best Place to Work in IT" by *Computerworld* magazine
- Named to "InformationWeek 500" by *InformationWeek* magazine

### SHAREHOLDER INFORMATION

**Exchange** New York Stock Exchange

**Common Stock Symbol** ARW

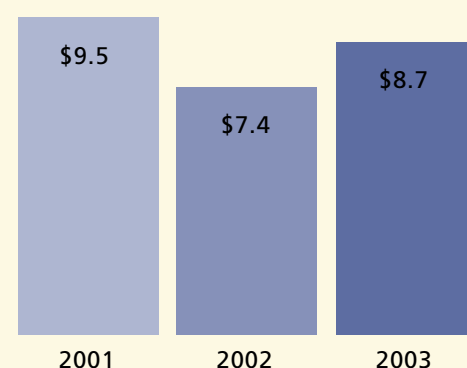
**Common Shares Outstanding** 100,517,000

### EXECUTIVE LEADERSHIP

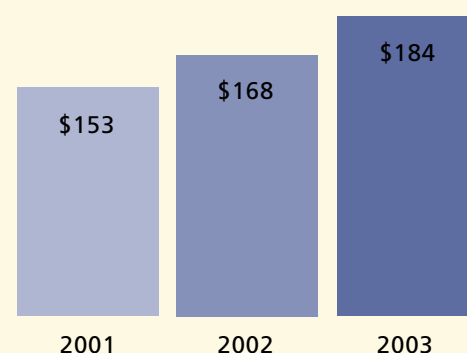
**William E. Mitchell**  
President and Chief Executive Officer

**Daniel W. Duval**  
Chairman

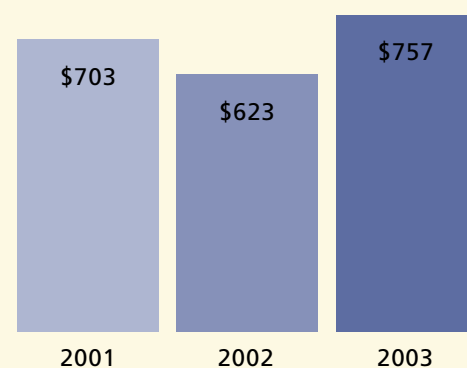
### SALES (In billions)



### OPERATING INCOME (In millions)



### PRODUCTIVITY PER EMPLOYEE (Sales in thousands per employee)



Arrow Electronics powers the global supply chain for electronics manufacturing – an industry which produces many of the technology products that are an integral part of our daily lives. In 2003, our sales outgrew the pace of the industry recovery, and our efforts to increase the efficiency of our operations drove growth in operating income, as adjusted,\* that exceeded our sales growth. Throughout the year, we used our strong cash position to invest in the capabilities that will drive our results for both today and tomorrow. Arrow speeds toward the future, ready to convert market opportunities into strong performance and growth.

## FINANCIAL HIGHLIGHTS

(In thousands except per share data)

For the year	2003 <sup>(a)</sup>	2002 <sup>(b)</sup>	2001 <sup>(c)(d)</sup>
Sales	\$8,679,313	\$7,390,154	\$9,487,292
Operating income	184,045	167,530	152,670
Income (loss) from continuing operations	25,700	(862)	(75,587)
Income (loss) per share from continuing operations:			
Basic	.26	(.01)	(.77)
Diluted	.25	(.01)	(.77)
At year-end			
Total assets	\$5,332,988	\$4,667,605	\$5,358,984
Shareholders' equity	1,505,331	1,235,249	1,766,461
Common shares outstanding	100,517	99,983	99,858

(a) Operating income and income from continuing operations include an acquisition indemnification charge of \$13.0 million (\$.13 per share) relating to an acquisition in France in 2000, restructuring charges of \$37.9 million (\$27.1 million net of related taxes or \$.27 per share), and an integration charge associated with the acquisition of the Industrial Electronics Division of Agilysys, Inc. (formerly Pioneer-Standard Electronics, Inc.) of \$6.9 million (\$4.8 million net of related taxes or \$.05 per share). Income from continuing operations also includes a loss on prepayment of debt of \$6.6 million (\$3.9 million net of related taxes or \$.04 per share).

(b) Operating income and loss from continuing operations include a severance charge of \$5.4 million (\$3.2 million net of related taxes or \$.03 per share). As a result of adopting Financial Accounting Standards Board ("FASB") Statement No. 145, the loss on extinguishment of debt, which was previously recorded as an extraordinary item, was reclassified to the loss from continuing operations during 2003. Accordingly, loss from continuing operations also includes a loss on prepayment of debt of \$20.9 million (\$12.9 million net of related taxes or \$.13 per share).

(c) The disposition of the Gates/Arrow operation in May 2002 represents a disposal of a "component of an entity" as defined in FASB Statement No. 144. Accordingly, 2001 has been restated to reflect Gates/Arrow as a discontinued operation.

(d) Operating income and loss from continuing operations include restructuring costs and other charges of \$174.6 million and \$227.6 million (\$145.1 million net of related taxes or \$1.47 per share), respectively, and an integration charge associated with the acquisition of Wyle Electronics and Wyle Systems of \$9.4 million (\$5.7 million net of related taxes or \$.06 per share).

\*See page 12 in this section for a reconciliation of this information.



## TO OUR SHAREHOLDERS

Speeding toward the future is the theme of our annual report this year, and our future will be the main focus of my message to you – our shareholders, employees, customers, and supplier partners. 2003 was a year of significant accomplishments for our company as we grew both our sales and our profits in a challenging market environment. Beyond achieving our financial goals, 2003 was also a year during which we engaged our leaders and employees around the world in developing a strategic framework for our business going forward. Traditionally, this letter would focus primarily on our performance and accomplishments for the year. While I will summarize those for you, I believe that you are as interested in where we are going as a company as you are in where we have been.

Focused on our future, we began the year by identifying three critical, strategic goals:

- Strengthen Arrow to drive both short-term and long-term profitable growth
- Create strategies for our future success
- Build a global leadership team with shared vision and leadership

### Strengthening Arrow

Our first priority for 2003 was to take immediate steps to increase our sales and operating income and to create a sustainable structure to respond to the cyclical nature of our industry. We put the right people, systems, and processes in place in a strategic structure that is correct for today's reality and can be leveraged for future growth, while delivering results across our business cycles.

Our emphasis on increasing efficiency streamlined our operations and reduced our cost structure, even as we continued to invest in the sales resources that drive our top line performance. As a result, our sales outgrew the market, and we gained share in key markets and product segments. Our sales efforts were bolstered by the growing demand in Asia, the improving industry conditions in the Americas, and the exceptional performance of our North American Computer Products business. Growth in operating income, as adjusted,\* outpaced the growth in sales, demonstrating the success of our efficiency initiatives and continuous process improvements.

### 2003 Performance Highlights

- We grew our sales by more than 17 percent, from \$7.4 billion in 2002 to \$8.7 billion in 2003.
- Operating income rose to \$242 million – excluding certain charges and losses that impact comparability – an almost 40 percent increase compared to our 2002 results.\*
- We increased our net income per share to \$0.74 from \$0.15 in 2002, excluding certain charges and losses that impact comparability.\*
- We removed \$75 million from our cost structure on an annual basis, and in early 2004, we announced a further \$15 million reduction as part of our ongoing continuous process improvement initiatives.
- Through strong balance sheet management, we generated more than \$290 million in cash from operations, bringing the total cash generated from operations to more than \$2.6 billion during the past three years of our industry downturn.
- The increased efficiency of our operations and our strong balance sheet management decreased the amount of working capital required to support our sales growth to \$0.22 of working capital per dollar of sales, the lowest level in our company's history.

\*See page 12 in this section for a reconciliation of this information.

- We took advantage of our strong cash position to invest in new capabilities and to make significant reductions in our debt, placing Arrow in a strong position to fund future growth.
- In February 2004, we further strengthened our capital structure through the issuance of 13.8 million shares of common stock.

Given our strong performance and cash position, we are extremely well positioned not only to capitalize on future positive industry conditions, but also to deliver profitable performance across our business cycles.

### Creating Strategies for Future Success

While we focused on immediately increasing our profitability, we also began to build a strategic business framework for our future. This framework starts with the creation of our vision:

**To be the clear number one worldwide provider of products, services, and solutions that connects technology with customers, powers the supply chain, and delivers premium investment results.**

With a clear and shared vision, our global leadership team identified the key business initiatives that represented our most critical priorities. We then engaged Arrow employees from different disciplines, levels, and regions to work on cross-regional teams to create specific plans for these initiatives. The work of these teams included developing strategies for growing our global components business, continuing to expand the services and solutions of our computer products business, and increasing the speed and efficiency of our operations through continuous process improvements.

As we studied our opportunities, it was clear to us that the Asian markets will be a critical engine of Arrow's future growth, requiring us to deploy the full range of our capabilities across the region. In our components businesses in the Americas and Europe, we will continue to outgrow the market in both sales and profitability by focusing on continuous process improvement and the development of new supply chain solutions for customers and suppliers. Our computer products business will continue to outgrow the market through its constant development of innovative, end-to-end customer solutions.

To be the clear number one worldwide provider to our industry, we must be the clear number one provider in the Asia/Pacific region, which includes China, Taiwan, Korea, Southeast Asia, India, Australia, and New Zealand. Today, approximately 40 percent of the available market for components purchasing rests in Asia. While Arrow holds the number one position in many Asian markets, our Asia/Pacific business represents just 10 percent of our overall revenue. This is a clear and significant growth opportunity for us.

Our global Asia/Pacific strategy team spent several months analyzing the dynamics of this marketplace to determine how best to capitalize on our local strengths and global capabilities. In addition to the growing number of global manufacturers that choose to manufacture products in Asia, there are several emerging and developing local markets with distinct service needs. The complexities of this market play to our strengths; we manage complex supply chains every day and in every region. We are the best-in-class at providing the solutions our customers and suppliers need to connect technology with end-markets. The markets in Asia, while still developing, are increasingly moving toward requiring this level of support.

Success in Asia requires the flexibility to provide customized solutions in each market with the efficiency and lower costs of a centralized organization. To leverage our strong supplier relationships in the region, we centralized supplier marketing, asset management, and purchasing functions. At the same time, we developed targeted sales initiatives to drive demand in local markets. Recognizing that China represents the greatest potential for growth in the region, we expanded our presence and our services in this market, growing our sales by nearly 45 percent in 2003, with a 50 percent increase in year-over-year results in the fourth quarter alone. Across the Asia/Pacific region, we are building sales momentum. Our investments and the hard work of our teams resulted in more than 25 percent sequential growth in the fourth quarter of 2003, with a more than 40 percent increase in sales in that quarter when compared to 2002 sales in the same period.

As we studied our opportunities, it was clear to us that the Asian markets will be a critical engine of Arrow's future growth.

### Building a Global Team with Shared Leadership

As we developed our strategic business framework, we quickly realized that both the creation and the execution of our strategy would depend on shared leadership – a leadership model that drives decision making and accountability deeper into our organization. Our business is too complex and too far-reaching for decision making and accountability to rest with just the CEO or a small group of executives. To lead this complex and global business, all of our employees must share our vision and our values and align their work around our strategic framework for the future.

For Arrow, shared leadership means that in every part of the world our managers must be involved in the decisions that will drive both local and global performance. Shared leadership requires that managers are accountable not only for the results of their local businesses, but also for their contributions to Arrow's overall performance. Shared leadership leads to shared best practices. A United Kingdom business leader shares his team's approach to continuous process improvement with a team of German leaders launching a similar initiative. An American supply chain management expert works with a team in Asia to launch supply chain management tools that are customized to the local languages and currencies. Practicing shared leadership drives a level of performance that is greater than the sum of our individual regions and businesses.

Shared leadership begins at the very top of our organization with our Executive Committee. In order to take advantage of our senior management team's deep knowledge and experience, we announced a new structure that puts the right senior leader in the right place, with the right resources and a winning strategy. Pictured to the right, Arrow's Executive Committee includes the leaders of every business and global function working as one team to lead our company to greater levels of performance and results.

Delivering premium investment results for our shareholders also depends on a strong and independent Board of Directors. We continued to demonstrate our commitment to maintaining a substantial majority of independent directors with the July election to our Board of Stephen C. Patrick, Chief Financial Officer, Colgate-Palmolive Company. His broad-based business experience, both domestic and international, and extensive finance background make him a valuable addition to Arrow and to our Board.

As we strengthened our leadership team at all levels, we also recognized the contributions of two Arrow leaders who announced their retirements. Robert E. Klatell, Executive Vice President and longtime Arrow Board member, retired at the end of 2003. Rob spent more than 30 years as a member of our senior management team, advancing Arrow's growth and playing a significant leadership role in our acquisition strategy. In addition, after more than 30 years with Arrow, Betty Jane (B.J.) Scheihing, our Senior Vice President of Global Operations and Human Resources, announced her plan to retire effective June 1, 2004. During her distinguished career, B.J. has made many substantial contributions to both Arrow and to our industry. She has helped shape Arrow into the successful company it is today. On behalf of Arrow's Board, senior management team, and employees, I want to thank both Rob and B.J. for their leadership and commitment to Arrow.

### Arrow: Speeding Toward the Future

In 2003, we strengthened our business to deliver profitable growth both for today and for the future. We created a culture where continuous process improvement is becoming an integral part of the way we do business. We developed the strategic roadmaps for our future success. We invested in the capabilities and resources that will drive our future growth. We built a global leadership team with a clear vision that practices shared leadership to tap into the talent and best practices of our more than 11,000 employees.

Ultimately it is the talent, commitment, and passion of our employees that drive our success. They connect the technology innovations of our suppliers with the product design and development needs of our customers. They add power and speed to the global supply chain for electronics manufacturing. When I joined Arrow more than a year ago, it was to be part of this team in a company with a great foundation and tremendous growth potential. Arrow is speeding toward the future with the most talented team in our industry and the resources and capabilities to power the global supply chain and to deliver premium investment results.



William E. Mitchell  
President and Chief Executive Officer

“Practicing shared leadership drives a level of performance that is greater than the sum of our individual regions and businesses.”

### The Executive Committee, Arrow Electronics

(From left to right)

Jan M. Salsgiver Vice President, Global Strategy and Operations Germano Fanelli President, Arrow EMEASA B.J. Scheihing Senior Vice President, Global Operations Michael J. Long President, Arrow North American Computer Products Mark Settle Vice President and Chief Information Officer Paul J. Reilly Vice President and Chief Financial Officer Peter S. Brown Senior Vice President and General Counsel John Tam Chairman, Arrow Asia/Pacific Harriet Green President, Arrow Asia/Pacific Susan M. Suver Vice President, Global Human Resources Brian P. McNally President, Arrow North American Components





## SPEEDING TOWARD THE FUTURE: POWERING THE GLOBAL SUPPLY CHAIN

Speed. Flexibility. Risk Reduction. Visibility. Velocity. Efficiency. Transportability. Global Integration. These words represent just some of the demands of today's global supply chain for electronics manufacturing. Arrow Electronics powers this complex supply chain by connecting the technology solutions of our leading suppliers with the design and manufacturing needs of our more than 150,000 customers. Our customers are constantly looking for ways to speed their time to market with shorter design cycles, faster new product introductions, and lower-cost manufacturing strategies. Arrow services and solutions inject speed into the supply chain and get waste out of it.

This powerful supply chain produces technology products ranging from simple bar code scanners to worldwide telecommunications networks. Arrow solutions begin at the earliest phases of new product development and continue across the product life-cycle to manufacturing and end-of-life product management. Solutions and services extend across a customer's multiple manufacturing locations or partners across the globe.

At the very beginning of new product design, one of the inherent challenges customers face is the vast number of components with published technical specifications that may or may not be readily available as a product moves toward full production. Arrow combines on-site technical advice from our field application engineers with information tools, such as Arrow Risk Manager and Global Explorer™, to help customers assess the risk of their component selections. The early selection of the right components prevents costly redesigns and delays as the product moves to full production.

As a new product progresses to prototype testing and pre-production, Arrow solutions include prototype materials management and advance pipelining of inventory. As the new product development cycle ramps toward full production, customers plan manufacturing strategies that will deliver their products to their end-markets at the greatest speed and lowest cost. With increasing frequency, these strategies involve manufacturing in multiple locations or outsourcing manufacturing to an electronics manufacturing partner.

Today, it is not unusual for an Arrow team in one location to support the customer's design and then to work with Arrow teams in different locations to pipeline inventory

and deliver components to multiple manufacturing sites. Increasingly, customers may also require support for the fast transfer of manufacturing to another site to respond to increasing demand for their products. Arrow manages the inventory pipeline, forecasts, and materials management services to prevent interruptions in the customer's supply chain and production processes.

During full production, Arrow's proprietary applications connect customers directly to Arrow's sophisticated and best-in-class system tools to solve the most pressing challenges in their supply chains. Arrow eCOMPASS provides an integrated forecast and inventory management connection that accepts electronic feeds from the customer's materials requirements planning system and automatically schedules materials for manufacturing. Arrow Collaborator delivers real-time visibility into pipelined and reserved inventory, including exceptions-based reporting that identifies potential problems in the customer's forecasting and materials planning.

Arrow's manufacturing support includes delivery of components to the production line at the moment they are needed. Vendor-managed inventory programs reduce materials receiving and inventory carrying costs. Product enhancement services, including cable assembly and programming, speed the customer's manufacturing process. As manufacturing progresses, customized component-alert tools warn the customer when components used in production are approaching end-of-life so that Arrow and the customer can plan alternatives. At every point, Arrow's supply chain services are speeding time to market and driving increased profits for our customers.

The complexities of supporting global customers require a flexible and global organization that stands ready to serve customers across geographic boundaries. At the same time, our largest customer base continues to be the regionally-based original equipment or contract manufacturer. Arrow teams are ready to serve customers and suppliers in every region with strategies tailored to the unique demands of their markets. Arrow Electronics speeds toward the future, powering the global supply chain for electronics manufacturing with the industry's most talented teams and integrated supply chain solutions.



## READY IN EVERY REGION: ARROW ASIA/PACIFIC

Today, more than half of the world's population, 3.2 billion, resides in the Asia/Pacific region. As the world's fastest growing market for consumer and industrial electronics technology, this region accounts for more than 40 percent of the world's electronic component purchases. Only a portion of the growth in demand for components is driven by the large global customers who have transferred manufacturing to this region. Emerging and distinct customer segments in local markets are fast becoming the main driver of increased demand for components and the supply chain services that Arrow is uniquely qualified to deliver.

Arrow Asia/Pacific serves customers and suppliers in 11 countries and territories with different currencies, languages, local customs, and distinct customer segments. To respond to the growing demand in each market, Arrow Asia/Pacific has developed a comprehensive customer strategy that provides tailored services to customers of all sizes and segments, from the small original equipment manufacturer in India to the mega-customer market in China. Our initiatives include creating specialized service models for unique customer groups, such as the original design manufacturing (ODM) market in Taiwan and the large chaebols in Korea, and increasing our investments in Greater China – a region with a total available market for electronic components of more than \$17 billion. We have also made significant investments in logistics, systems, and inventory management processes to create a sound infrastructure that will support our future growth.

Our strategy has already resulted in significant sales momentum, as our Arrow Asia/Pacific teams delivered more than 25 percent sequential sales growth in the fourth quarter of 2003, with a more than 40 percent increase in sales in that quarter when compared to 2002 sales in the same period. We will continue to focus on the specialized demands of our customers in every market while working closely with our suppliers to extend our franchises and our technical support capabilities. Arrow Asia/Pacific speeds toward the future, powered by the talent, energy, and local expertise of our Asia teams and by the financial resources and capabilities of the world's leading electronic components distributor.

### ARROW ASIA/PACIFIC

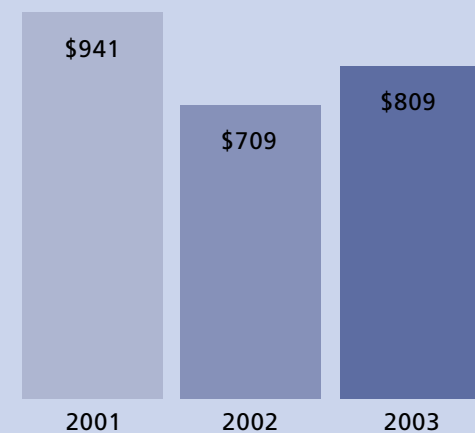
#### Countries and Territories

Australia, China, Hong Kong, India, Korea, Malaysia, New Zealand, Philippines, Singapore, Taiwan, Thailand

Locations	49
Employees	1,000
Sales	\$820 million

### PRODUCTIVITY PER EMPLOYEE

(Sales in thousands per employee)

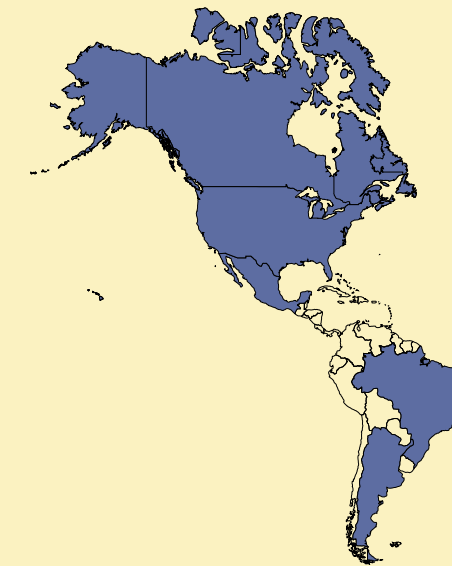


## READY IN EVERY REGION: ARROW AMERICAS COMPONENTS

The Americas continue to be the major source of new product development globally and the leading market for supply chain management services. Today, more than 50 percent of Arrow's business in this region is managed through electronic connections with customers, facilitating materials planning and just-in-time delivery of components. Since much of the design activity for new products takes place in North America, our leading technical services and system tools provide early visibility to a customer's component needs. If a customer outsources manufacturing or transfers it overseas, Arrow teams follow that business to the manufacturing location to provide continuous support across the supply chain.

As the region serves global customer demand for design support, Americas Components' largest customer base consists of regionally-based original equipment and contract manufacturing customers who depend on Arrow's products and supply chain management services. Serving these customers requires offering Arrow's full line card of semiconductor and PEMCO (passive, electromechanical, and connector) products. In 2003, building on the successful acquisition of the electronic components division of Pioneer-Standard Electronics, we combined our two product-specific businesses which sold semiconductors and PEMCO products to the same customer base. This change, coupled with the momentum from our merger and improving market conditions, fueled a more than 24 percent sales growth in the region year-over-year.

As Americas Components entered 2004, we announced the formation of Arrow Electronics Components, a combination of Arrow/Bell Components, Arrow Contract Manufacturing Services, and Arrow Components Solutions. Arrow Electronics Components provides products and services to our core original equipment and contract manufacturing customers with dedicated sales teams organized to serve distinct customer segments. With this change, we offer the customized services that our customers expect and the unified demand creation support that our suppliers require in each local market. Arrow Americas Components speeds toward the future as a fast, flexible, and broadline distributor with the resources and capabilities of the world's leading electronic components distributor.



### ARROW AMERICAS COMPONENTS

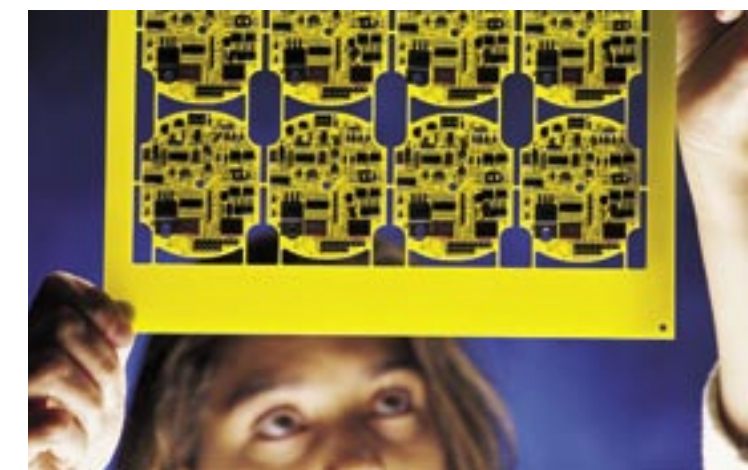
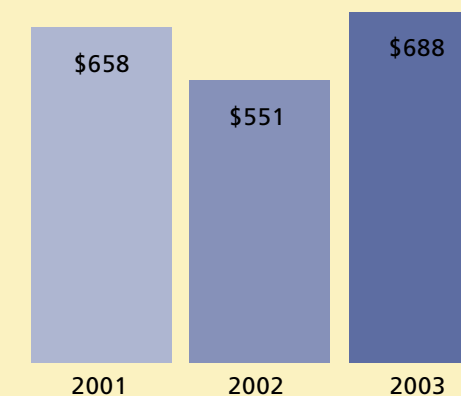
#### Countries

Argentina, Brazil, Canada, Mexico, U.S.A.

Locations	72
Employees	4,700
Sales	\$3.23 billion

### PRODUCTIVITY PER EMPLOYEE

(Sales in thousands per employee)





## READY IN EVERY REGION: ARROW EUROPE

As the leading provider of electronic products and services in Europe, Arrow's local focus and presence has long been our strategy and strength. Looking to the future, Arrow Europe will continue to specialize in superior local service while pursuing Pan-European opportunities that extend our capabilities to meet the developing needs of customers and suppliers across Europe. A unified strategy is essential to our success, and our Pan-European leadership team is developing and launching initiatives that capitalize on our strengths across Europe to drive profitable growth.

Our strong performance in 2003, despite the generally weak macroeconomic conditions in Europe, creates a firm foundation for our future in the region. Our Central Europe business closed 2003 as Arrow's most profitable operating group, with a disciplined sales and marketing organization that tightly manages costs and margin performance. Our Southern Europe team gained share in critical markets and completed a consolidation of supplier marketing, asset management, and logistics functions that significantly increased productivity. In Northern Europe, which includes the United Kingdom and the Nordic countries, we expanded our sales resources while embarking on several operational improvements, including the transfer of the U.K. logistics services to our Pan-European distribution center in Venlo, the Netherlands. Arrow U.K. Components gained share in critical markets and product segments, and Arrow Nordic Components remains the clear number one provider in the countries it serves, supporting a broad base of global and regionally-based customers.

Arrow Europe will continue to specialize in local service as we build our Pan-European systems and logistics infrastructure to develop greater regional capabilities and economies of scale. We will also build on local best practices and initiatives to create opportunities in critical European end-markets. Arrow Europe speeds toward the future with a powerful combination of local solutions and the best practices and capabilities of the leading Pan-European electronic components distributor.

### ARROW EUROPE

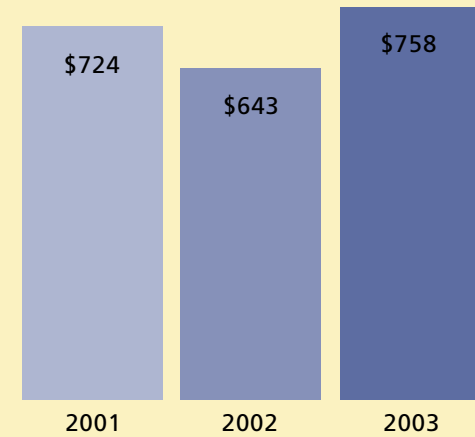
#### Countries

Austria, Belgium, Czech Republic, Denmark, England, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Israel, Italy, Netherlands, Norway, Poland, Portugal, Scotland, Slovenia, South Africa, Spain, Sweden, Switzerland, Turkey

Locations	79
Employees	3,500
Sales	\$2.76 billion

### PRODUCTIVITY PER EMPLOYEE

(Sales in thousands per employee)

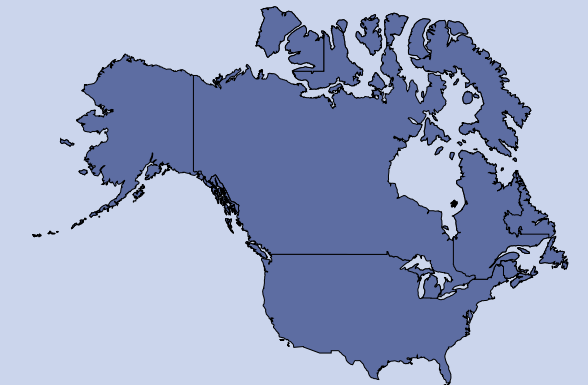


## COMPUTER PRODUCTS: INNOVATE AND EXECUTE

Arrow consists of two core businesses: a global components distribution business and a computer products distribution and solutions business centered in North America, which serves enterprise computing resellers and original equipment manufacturers (OEMs). In 2003, Arrow North American Computer Products (NACP) accounted for more than 20 percent of Arrow's revenue and has increased sales and profits for ten consecutive quarters on a year-over-year basis. Even as demand for computing solutions and systems manufacturing has been declining, Arrow NACP has emerged as the market leader in sales, profitability, and new solutions for customers.

Our strategic decision to focus on the enterprise computing and OEM markets has resulted in a business that offers suppliers an efficient route to market and provides essential services to customers. Arrow Enterprise Computing leads the industry in offering the best server, platform, and storage solutions for value-added resellers. Many resellers face the challenges of supporting multiple platform environments. Our supplier-dedicated groups work together to provide an Arrow solution. In the OEM market, Arrow OEM Computing Solutions supports customers from the moment they begin product design to the shipment of the completed system from an Arrow facility to their end-customers.

Our two main value-added computer products businesses create opportunities to integrate solutions from the initial system design to the delivery of the system from a value-added reseller. In a recent engagement, an OEM customer developing a state-of-the-art security and IT management product chose Arrow OEM Computing Solutions to support the system design, procure materials, complete the system build, and provide service and warranty support. Arrow Enterprise Storage Solutions, a division of Arrow Enterprise Computing, has become the route to market by providing fulfillment services to the OEM's resellers. Resellers can demonstrate and test this storage solution for end-customers at Arrow's enterprise computing labs. This customer engagement is just one example of the solutions that Arrow NACP offers. Arrow North American Computer Products speeds toward the future as the leading, innovative provider to the enterprise and OEM computing marketplaces.



### NORTH AMERICAN COMPUTER PRODUCTS

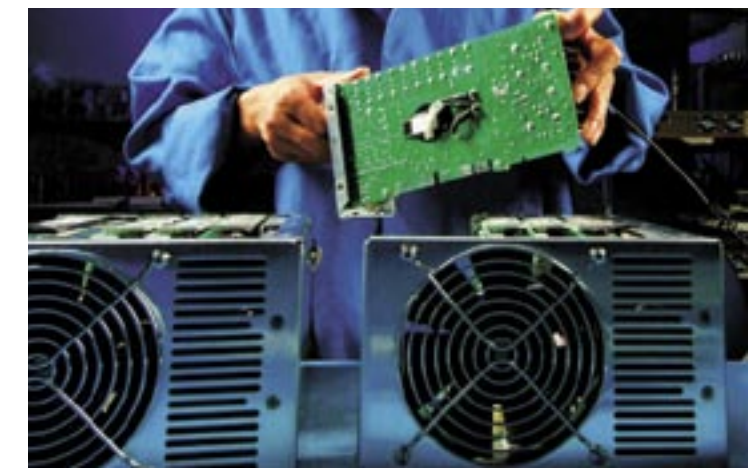
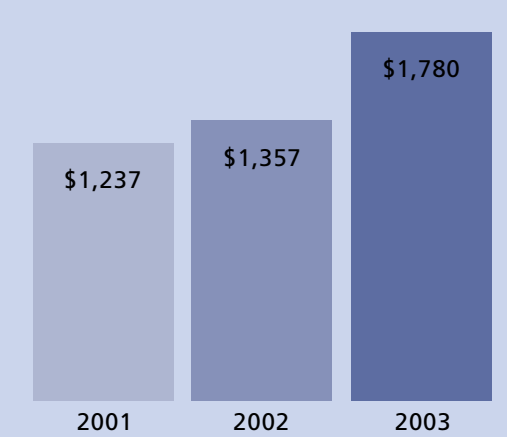
#### Countries

Canada, U.S.A.

Locations	18
Employees	1,000
Sales	\$1.86 billion

### PRODUCTIVITY PER EMPLOYEE

(Sales in thousands per employee)



## NON-GAAP FINANCIAL INFORMATION

The noted references on page one and in the shareholder letter to operating income and net income per share were each adjusted for certain charges and losses that impact the comparability of our results of operations. These charges and losses arise out of our acquisitions of other companies, our efficiency enhancement initiatives, the severance of a former chief executive officer, the prepayment of debt, the operations of discontinued businesses, and required changes in accounting principles. This financial information has not been prepared in accordance with generally accepted accounting principles (GAAP). The following table sets forth reconciliations of operating income and net income per share, each as adjusted, to operating income and net income (loss) per share, prepared in accordance with GAAP.

We believe that such non-GAAP financial information may be useful to investors to assist in assessing and understanding our operating performance and the underlying trends in our business because management considers the charges and losses referred to above to be outside our core operating results. This non-GAAP financial information is among the primary indicators management uses as a basis for evaluating our financial and operating performance. In addition, our Board of Directors uses this non-GAAP financial information in evaluating management performance and setting management compensation.

*(In thousands except per share data)*

Year ended December 31,	2003	2002
Operating income	\$184,045	\$167,530
Restructuring charges	37,965	–
Acquisition indemnification charge	13,002	–
Integration charge	6,904	–
Severance charge	–	5,375
Operating income, as adjusted	\$241,916	\$172,905
Net income (loss) per diluted share	\$ .25	\$ (6.12)
Restructuring charges	.27	–
Acquisition indemnification charge	.13	–
Integration charge	.05	–
Severance charge	–	.03
Loss on prepayment of debt	.04	.13
Loss from discontinued operations	–	.06
Cumulative effect of change in accounting principle	–	6.05
Net income per diluted share, as adjusted	\$ .74	\$ .15

## DIRECTORS AND OFFICERS

### Board of Directors

**DANIEL W. DUVAL**  
Chairman  
Arrow Electronics, Inc.

**WILLIAM E. MITCHELL**  
President and  
Chief Executive Officer  
Arrow Electronics, Inc.

**JOHN C. WADDELL**  
Vice Chairman  
Arrow Electronics, Inc.

**JOHN N. HANSON**  
Chairman, President and  
Chief Executive Officer  
Joy Global Inc.

**ROGER KING**  
Retired President and  
Chief Executive Officer  
Sa Sa International  
Holdings Ltd.

**KAREN GORDON MILLS**  
Managing Director  
Solera Capital LLC

**STEPHEN C. PATRICK**  
Chief Financial Officer  
Colgate-Palmolive Company

**BARRY W. PERRY**  
Chairman and Chief  
Executive Officer  
Engelhard Corporation

**RICHARD S. ROSENBLOOM**  
David Sarnoff Professor  
of Business Administration,  
Emeritus  
Harvard Business School

### Corporate Officers

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President and Chief  
Executive Officer

**PETER S. BROWN**  
Senior Vice President and  
General Counsel

**BETTY JANE SCHEIHING**  
Senior Vice President

**IRA M. BIRNS**  
Vice President and Treasurer

**WAYNE BRODY**  
Vice President, Legal Affairs

**GERMANO FANELLI**  
Vice President

**HARRIET GREEN**  
Vice President

**MICHAEL J. LONG**  
Vice President

**BRIAN P. McNALLY**  
Vice President

**PAUL J. REILLY**  
Vice President and Chief  
Financial Officer

**JUERGEN SAALWAECHTER**  
Vice President

**JAN M. SALSGIVER**  
Vice President, Global  
Strategy and Operations

**MARK SETTLE**  
Vice President and Chief  
Information Officer

**ALBERT G. STREBER**  
Vice President

**SUSAN M. SUVER**  
Vice President, Global  
Human Resources

**JOHN TAM**  
Vice President

**VINCENT VELLUCCI**  
Vice President

### Operating Group Officers

**Arrow North American  
Components**

**BRIAN P. McNALLY**  
President

**PAUL BUCKLEY**  
Senior Vice President  
Arrow Supplier Services Group

**JAMES M. ROSENBERG**  
President  
Arrow Alliance Group

**FRANK J. STALZER**  
Vice President and  
General Manager  
Arrow/Zeus Electronics Group

**VINCENT VELLUCCI**  
President  
Arrow Electronics  
Components Group

**Arrow North American  
Computer Products**

**MICHAEL J. LONG**  
President

**JOSEPH D. BURKE**  
Vice President and  
General Manager  
Arrow Enterprise Computing  
Solutions Group

**STEPHEN RAMSLAND**  
Vice President and  
General Manager  
Arrow OEM Computing  
Solutions Group

**Arrow Electronics EMEASA  
(Europe, Middle East, Africa,  
and South America)**

**GERMANO FANELLI**  
President

**PHILIPPE DJEDDAH**  
Vice President  
European Marketing

**DAVID E. HOFFMANN**  
Vice President and  
Managing Director  
Latin and South America

**ANDREW KING**  
Managing Director  
United Kingdom

**KARL JOHAN LIER**  
Managing Director  
Nordic

**ALISTAIR OAG**  
Managing Director  
Alliance Europe

**CLAUDIO PINELLI**  
Managing Director  
Southern Europe

**JUERGEN SAALWAECHTER**  
Managing Director  
Central Europe

**Arrow Electronics Asia/Pacific**

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**HARRIET GREEN**  
President

**RICHARD HUXLEY**  
Vice President  
Alliance Asia

**ALBERT G. STREBER**  
Senior Vice President  
Marketing