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ARROW

ARROW ELECTRONICS, INC.
ANNUAL REPORT 2006

Financial Highlights

(In thousands except per share data)

For the year ended	**2006(a)**	2005(b)	2004(c)
Sales	**$13,577,112**	$11,164,196	$10,646,113
Operating income	**606,225**	480,258	439,338
Net income	**388,331**	253,609	207,504
Net income per share:			
Basic	**3.19**	2.15	1.83
Diluted	**3.16**	2.09	1.75
At year-end			
Total assets	**$6,669,572**	$6,044,917	$5,509,101
Shareholders' equity	**2,996,559**	2,372,886	2,194,186
Common shares outstanding	**122,245**	119,803	115,938

(a) Operating income and net income include restructuring charges of $11.8 million ($9.0 million net of related taxes or $.07 per share on both a basic and diluted basis), a charge related to a pre-acquisition warranty claim of $2.8 million ($1.9 million net of related taxes or $.02 per share on both a basic and diluted basis), a charge related to pre-acquisition environmental matters arising out of the company's purchase of Wyle of $1.4 million ($.9 million net of related taxes or $.01 per share on both a basic and diluted basis) and stock option expense of $13.0 million ($8.5 million net of related taxes or $.07 per share on both a basic and diluted basis) resulting from the company's adoption of Financial Accounting Standards Board Statement No. 123 (revised 2004), "Share-Based Payment," and the Securities and Exchange Commission Staff Accounting Bulletin No. 107. Net income also includes a loss on prepayment of debt of $2.6 million ($1.6 million net of related taxes or $.01 per share on both a basic and diluted basis) and the reduction of the provision for income taxes of $46.2 million ($.38 per share on both a basic and diluted basis) and the reduction of interest expense of $6.9 million ($4.2 million net of related taxes or $.03 per share on both a basic and diluted basis) related to the settlement of certain tax matters.

(b) Operating income and net income include restructuring charges of $12.7 million ($7.3 million net of related taxes or $.06 and $.05 per share on a basic and diluted basis, respectively) and an acquisition indemnification credit of $1.7 million ($1.3 million net of related taxes or $.01 per share on a basic basis). Net income also includes a loss on prepayment of debt of $4.3 million ($2.6 million net of related taxes or $.02 and $.01 per share on a basic and diluted basis, respectively) and a loss of $3.0 million ($.03 per share on both a basic and diluted basis) on the write-down of an investment.

(c) Operating income and net income include restructuring charges of $11.4 million ($6.9 million net of related taxes or $.07 and $.06 per share on a basic and diluted basis, respectively), an acquisition indemnification credit, due to a change in estimate, of $9.7 million ($.09 and $.08 per share on a basic and diluted basis, respectively), an impairment charge of $10.0 million ($.09 and $.08 per share on a basic and diluted basis, respectively) and an integration credit, due to a change in estimate, of $2.3 million ($1.4 million net of related taxes or $.01 per share on both a basic and diluted basis). Net income also includes a loss on prepayment of debt of $33.9 million ($20.3 million net of related taxes or $.18 and $.16 per share on a basic and diluted basis, respectively) and a loss of $1.3 million ($.01 per share on both a basic and diluted basis) on the write-down of an investment.

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Annual Report on Form 10-K

NUMBER OF EMPLOYEES
12,000

NUMBER OF CUSTOMERS
140,000

NUMBER OF SUPPLIERS
600

WORLDWIDE LOCATIONS
260

2006 SALES

Worldwide Electronic Components
$10.8 billion

Worldwide Computer Products
$2.8 billion

Arrow Electronics is a 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 140,000 original equipment manufacturers, contract manufacturers and commercial customers through a global network of 260 locations in 55 countries and territories.

ARROW WORLDWIDE

Albania, Argentina, Australia, Austria, Belarus, Belgium, Bosnia and Herzegovina, Brazil, Bulgaria, Canada, China, Croatia, Czech Republic, Denmark, Egypt, England, Estonia, Finland, France, Germany, Greece, Hong Kong, Hungary, India, Ireland, Israel, Italy, Korea, Latvia, Lithuania, Macedonia, Malaysia, Mexico, Netherlands, New Zealand, Norway, Philippines, Poland, Portugal, Romania, Russian Federation, Scotland, Serbia and Montenegro, Singapore, Slovakia, Slovenia, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, Ukraine, United States

William E. Mitchell
Chairman, President and Chief Executive Officer

LISTEN. UNDERSTAND. DELIVER.

To Our Shareholders:

Our 2006 results represent another remarkable year of achievement for us – a year in which we posted record sales revenue of $13.6 billion, an increase of nearly 22 percent from 2005.

Since I first reported Arrow's results to you more than four years ago, we have made steady progress across the four pillars of our business strategy – growth, operational excellence, financial stability and shared leadership. Our long-term commitment to this strategy continues to deliver results. In four years, our compound annual growth rate has reached nearly 17 percent, and our return on invested capital has more than tripled, from 3.4 percent to 11.4 percent.

In 2006, Arrow Electronics:

- Grew sales by nearly 22 percent, from $11.2 billion in 2005 to $13.6 billion
- Increased operating income from $491 million in 2005 to $622 million, an increase of nearly 27 percent*
- Generated net income per share of $2.92, compared with $2.18 in 2005*
- Delivered a return on invested capital of 11.4 percent, with the result that our return on invested capital has exceeded our cost of capital for 12 consecutive quarters
- Reduced long-term debt to $977 million, a more than 14 percent decrease compared with 2005.

We continue to lead our industry in key financial metrics, grow sales faster than the market and increase our earnings faster than sales. In any business, sales growth that exceeds market growth comes from exceeding customer expectations. At Arrow, that begins with:

- **Listening** to what our customers and suppliers say about their needs and expectations of us;
- **Understanding** what we must do as an organization to respond with the right supply chain tools and services; and
- **Delivering** what our customers and suppliers need to succeed, on a local, regional and global basis.

Our more than 140,000 customers and 600 suppliers worldwide rely on Arrow for the technical design, materials management, inventory planning and manufacturing services they need to bring electronic components and enterprise computing solutions to market. As we listen, understand and deliver, we are well positioned to capture growth opportunities in both our Global Components and Enterprise Computing Solutions businesses.

Growing in Electronic Components

In response to the increasingly global nature of our customers and suppliers, we formed Arrow Global Components and appointed Michael J. Long, an Arrow executive with more than 20 years of experience, as president. Our worldwide electronic components business posted record sales in 2006 of $10.8 billion, a more than 22 percent increase compared with 2005. Each major regional electronic components business, now part of Arrow Global Components, gained market share and grew both sales and operating income.

Arrow Asia/Pacific serves a booming regional economy that already accounts for nearly 50 percent of worldwide electronic components consumption. In the region, we are a local distributor with global capabilities – a combination that has driven sales to nearly $2.4 billion in 2006, a more than 62 percent increase from 2005. Our combined Asia/Pacific sales in the second half of 2006 exceeded our entire 2004 sales in the region. With the successful 2005 acquisition of Ultra Source Technology Corporation, we expanded our presence in Taiwan, Hong Kong and Mainland China, adding four sales offices and two warehouses to our more than 35 facilities that serve customers in Greater China.

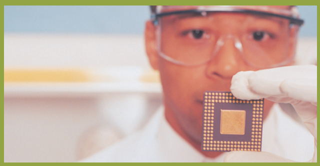
In North America, we continue to target market segments where we see growing demand for electronic technology. In 2006, we formed three new groups to capitalize on opportunities in the high-brightness light emitting diodes

We continue to lead our industry in key financial metrics, grow sales faster than the market and increase our earnings faster than sales. In any business, sales growth that exceeds market growth comes from exceeding customer expectations.

* See page 8 for a reconciliation of this non-GAAP financial information.





Our more than 140,000 customers and 600 suppliers worldwide rely on Arrow for the technical design, materials management, inventory planning and manufacturing services they need to bring electronic components and enterprise computing solutions to market. As we listen, understand and deliver, we are well positioned to capture growth opportunities in both our Global Components and Enterprise Computing Solutions businesses.

(HB-LEDs), industrial and transportation market segments. The lighting segment alone is expected to double in sales by 2010; the industrial segment will grow by 10 percent in 2007; and the automotive semiconductor segment indicators show increases of six percent annually through 2010. By listening to the distinct needs of our customers across all market segments, North American Components posted sales results of $4.7 billion, an increase of 12 percent compared with 2005.

Throughout 2006, Europe saw improved economic conditions and continued movement of manufacturing to Eastern Europe. The Eastern European distribution market alone grew at a compound annual rate of 24 percent during the past four years. Capitalizing on these opportunities, our European business grew its revenues to $3.6 billion, an increase of more than 18 percent from 2005. 2006 also marked a milestone in Europe that affected our customers globally as the European Union implemented its environmental regulations for the Restriction of Hazardous Substances (RoHS). During the past several years, Arrow worked with customers and suppliers to ensure a smooth transition to meeting these guidelines.

Growing in Enterprise Computing Solutions

Our Enterprise Computing Solutions business has expanded from North America to Europe. The value-added resellers (VARs) it serves provide computing solutions to a wide range of end markets, spanning from small local governments to large financial institutions to almost any enterprise that requires a server, data storage or software solution.

In 2006, revenues from Enterprise Computing Solutions grew to $2.5 billion, a more than 22 percent increase compared with our 2005 results. In 2005, we embarked on an acquisition strategy with the goal of expanding our global presence as well as the breadth of the computing solutions we offer. To lead our continued growth, we named Kevin J. Gilroy and M. Catherine Morris to a newly created office of the president for Enterprise Computing Solutions.

In 2005, we began our expansion of this business with the acquisition of DNSint.com AG, based in Munich, Germany. We continued in 2006 with the acquisition of InTechnology plc's storage and security distribution business, headquartered in Harrogate, England. With the completion of these acquisitions, Enterprise Computing Solutions now serves resellers in 17 countries.

In 2006, we also extended our strong position in North America. In Canada, we acquired SKYDATA Corporation, the country's largest distributor of EMC^2 brand data storage products. With the acquisition of Alternative Technology, Inc. based in Englewood, Colorado, we increased our ability to serve VARs with software solutions that optimize, accelerate, monitor and secure an end-user's network.

In early 2007, we announced our planned acquisition, subject to customary closing conditions, of the Agilysys KeyLink Systems Group (KeyLink), a leading enterprise computing solutions distributor with headquarters in Cleveland, Ohio. The addition of KeyLink will strengthen our partnerships with International Business Machines Corporation (IBM) and Hewlett-Packard Company (HP), and create a new partnership with Oracle Corporation.




Our nearly 12,000 Arrow employees throughout the world work each day to listen, understand and to deliver the products and services that create value for our customers and suppliers.

This expansion of our Enterprise Computing Solutions business places us in a strong position to capitalize on the fastest growing segment in enterprise computing – resellers that serve small-to-medium sized end customers. With a broader portfolio of hardware, storage, software and services, we have created new cross-selling opportunities and diversified our revenue stream.

Moving Forward

Our commitment to continuous improvement in every aspect of our operations depends on our ability to listen, understand and deliver as One Arrow. In 2006, we launched a multi-year initiative to develop a global enterprise resource planning (ERP) platform. During the next several years, our ERP initiative will move our best practices in common services and processes – from pricing to shipping – to one global system.

Beyond systems, operational excellence is driven by continuous process improvements (CPI). Our CPI program, now in its second year, has more than 1,300 green belt and black belt certified employees who have applied Lean Six Sigma principles company-wide to improve our ability to deliver customer satisfaction.

We continue to look for ways to improve in everything we do, and our hard work and accomplishments continue to be appreciated by those we serve. In 2006, we received more than 75 acknowledgements and awards from our customers, suppliers and other organizations.

These recognitions reflect the progress we made in 2006 toward our goal of becoming the clear number one provider of products, services and solutions to our industry. Our nearly 12,000 Arrow employees throughout the world work each day to listen, understand and to deliver the products and services that create value for our customers and suppliers.

Our 2006 results show a company on the move – a company working successfully behind a solid strategy, addressing the needs of the business and the interests of our shareholders. I look forward to reporting to you in the year ahead.

William E. Mitchell
Chairman, President and Chief Executive Officer

NON-GAAP FINANCIAL INFORMATION

The noted references in the shareholder letter to operating income and net income per diluted share were each adjusted for certain charges, credits and losses that we believe impact the comparability of our results of operations. These charges, credits and losses arise out of the company's efficiency enhancement initiatives, the company's acquisitions of other companies, impairment charges, the settlement of certain tax matters, the prepayment of debt and the write-down of investments. This financial information has not been prepared in accordance with generally accepted accounting principles (GAAP). The following table sets forth reconciliations of operating income, net income and net income per diluted share, prepared in accordance with GAAP, to operating income, net income and net income per diluted share, each as adjusted.

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, credits 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 may use this non-GAAP financial information in evaluating management performance and setting management compensation.

The presentation of this non-GAAP financial information is not meant to be considered in isolation or as a substitute for, or alternative to, operating income, net income and net income per 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.

(In thousands except per share data)

Year ended December 31,	**2006**	2005	2004
Operating income, as reported	**$606,225**	$480,258	$439,338
Restructuring charges	**11,829**	12,716	11,391
Pre-acquisition warranty claim	**2,837**	-	-
Pre-acquisition environmental matters	**1,449**	-	-
Acquisition indemnification credit	**-**	(1,672)	(9,676)
Integration credit	**-**	-	(2,323)
Impairment charge	**-**	-	9,995
Operating income, as adjusted	**$622,340**	**$491,302**	**$448,725**
Net income, as reported	**$388,331**	$253,609	$207,504
Restructuring charges	**8,977**	7,310	6,943
Pre-acquisition warranty claim	**1,861**	-	-
Pre-acquisition environmental matters	**867**	-	-
Impact of settlement of tax matters			
Income taxes:			
2005 and prior	**(40,426)**	-	-
Interest (net of taxes):			
2005 and prior	**(2,431)**	-	-
Loss on prepayment of debt	**1,558**	2,596	20,297
Write-down of investment	**-**	3,019	1,318
Acquisition indemnification credit	**-**	(1,267)	(9,676)
Integration credit	**-**	-	(1,389)
Impairment charge	**-**	-	9,995
Net income, as adjusted	**$358,737**	**$265,267**	**$234,992**
Net income per diluted share, as reported	**$3.16**	$2.09	$1.75
Restructuring charges	**.07**	.05	.06
Pre-acquisition warranty claim	**.02**	-	-
Pre-acquisition environmental matters	**.01**	-	-
Impact of settlement of tax matters			
Income taxes:			
2005 and prior	**(.33)**	-	-
Interest (net of taxes):			
2005 and prior	**(.02)**	-	-
Loss on prepayment of debt	**.01**	.01	.16
Write-down of investment	**-**	.03	.01
Acquisition indemnification credit	**-**	-	(.08)
Integration credit	**-**	-	(.01)
Impairment charge	**-**	-	.08
Net income per diluted share, as adjusted	**$2.92**	**$2.18**	**$1.97**

BOARD OF DIRECTORS

William E. Mitchell
Chairman, President and Chief Executive Officer,
Arrow Electronics, Inc.

Daniel W. Duval
Lead Independent Director,
Arrow Electronics, Inc.

John C. Waddell
Vice Chairman,
Arrow Electronics, Inc.

John N. Hanson
Chairman, Joy Global Inc.

Richard S. Hill
Chairman and Chief Executive Officer,
Novellus Systems, Inc.

M.F. (Fran) Keeth
Retired President and Chief Executive Officer,
Shell Chemical LP

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
Former Chairman and Chief Executive Officer,
Engelhard Corporation

CORPORATE OFFICERS

William E. Mitchell
Chairman, President and Chief Executive Officer

Peter S. Brown
Senior Vice President, General Counsel
and Secretary

Kevin J. Gilroy
Senior Vice President and President,
Arrow Enterprise Computing Solutions (ECS)

Michael J. Long
Senior Vice President and President,
Arrow Global Components

Bhawnesh C. Mathur
Senior Vice President, Supplier Marketing and
Asset Management, Arrow Global Components

John P. McMahon
Senior Vice President, Corporate
Human Resources

M. Catherine Morris
Senior Vice President and President,
Arrow Enterprise Computing Solutions (ECS)

Paul J. Reilly
Senior Vice President and Chief Financial Officer

Ira M. Birns
Vice President and Treasurer

Wayne Brody
Vice President, Assistant Secretary and
Chief Compliance Officer

Kurt Colehower
Vice President and President,
Arrow North American Components (NAC)

Philippe Combes
Vice President and President, Arrow Europe,
Middle East, Africa and South America (EMEASA)

Germano Fanelli
Vice President and Chairman, Arrow Europe,
Middle East, Africa and South America (EMEASA)

Ernest Keith
Vice President, Worldwide Operational Excellence,
Arrow Global Components

Peter T. Kong
Vice President and President, Arrow Asia/Pacific

Brian P. McNally
Vice President and President, Global Alliance and
Supply Chain, Arrow Global Components

Vincent Melvin
Vice President and Chief Information Officer

Jan M. Salsgiver
Vice President and Executive Vice President,
Arrow Europe, Middle East, Africa and South
America (EMEASA)

Albert G. Streber
Vice President and Vice President Global Supplier
Marketing, Arrow Global Components

Vincent Vellucci
Vice President and Senior Vice President, Global
Sales Excellence, Arrow Global Components

CORPORATE HEADQUARTERS

50 Marcus Drive
Melville, New York 11747-4210

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP
5 Times Square
New York, New York 10036-6530

TRANSFER AGENT AND REGISTRAR

Mellon Investor Services
480 Washington Boulevard
Jersey City, New Jersey 07310

ANNUAL MEETING

The Annual Meeting of Shareholders will be held at 11 a.m. on May 8, 2007 at the Grand Hyatt, 109 East 42nd Street, New York, New York. All shareholders are invited to attend.

SHAREHOLDER INFORMATION

Exchange: New York Stock Exchange
Common Stock Symbol: ARW

INVESTOR RELATIONS

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