

Delivering today while building for the future



ARROW ELECTRONICS, INC.
ANNUAL REPORT 2007

ARROW

Financial Highlights

IN THOUSANDS EXCEPT PER SHARE DATA

For the year ended	2007(a)(d)	2006(b)(d)	2005(c)
Sales	\$15,984,992	\$13,577,112	\$11,164,196
Operating income	686,905	606,225	480,258
Net income	407,792	388,331	253,609
Net income per share:			
Basic	3.31	3.19	2.15
Diluted	3.28	3.16	2.09
At year-end			
Total assets	\$8,059,860	\$6,669,572	\$6,044,917
Shareholders' equity	3,551,860	2,996,559	2,372,886
Common shares outstanding	122,827	122,245	119,803

(a) Operating income and net income include restructuring and integration charges of \$11.7 million (\$7.0 million net of related taxes or \$.06 per share on both a basic and diluted basis) and an income tax benefit of \$6.0 million, net (\$.05 per share on both a basic and diluted basis), principally due to a reduction in deferred income taxes as a result of the statutory rate change in Germany in 2007.

(b) Operating income and net income include restructuring and integration 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), and 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). 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 income tax matters.

(c) Operating income and net income include restructuring and integration 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.

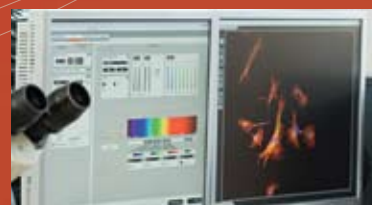
(d) Operating income and net income include stock option expense of \$11.2 million (\$7.0 million net of related taxes or \$.06 per share on both a basic and diluted basis) and \$13.0 million (\$8.5 million net of related taxes or \$.07 per share on both a basic and diluted basis) for 2007 and 2006, respectively, 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.

Company Highlights

Number of Employees	12,600
Number of Customers	140,000
Number of Suppliers	700
Worldwide Locations	300

2007 Sales

Global Components	\$11.2 billion
Global Enterprise Computing Solutions	\$4.8 billion



Arrow Electronics is a global provider of products, services and solutions to industrial and commercial users of electronic components and enterprise computing solutions. Headquartered in Melville, New York, Arrow serves as a supply channel partner for approximately 700 suppliers and 140,000 original equipment manufacturers, contract manufacturers and commercial customers through a global network of more than 300 locations in 50 countries and territories.



Delivering today while building for the future.



William E. Mitchell
Chairman & Chief Executive Officer



To Our Shareholders:

Our performance in 2007 represents another year of accomplishment for Arrow Electronics.

We posted our fifth consecutive year of strong revenue performance, with record sales of \$16 billion, an increase of almost 18 percent over 2006. In addition, productivity among our employees rose by 11 percent, the fifth consecutive year in which we realized an increase in this measure. Arrow's success, as always, rests on the work of our 12,600 dedicated employees around the world. I thank each and every one of them for their commitment that has enabled us to make remarkable progress toward our long-term goals.

We were cash flow positive for the fifth consecutive year while also growing sales, a record in our history. And for the fourth consecutive year, return on invested capital – a critical measure in increasing shareholder value – was well in excess of our cost of capital.

We manage our business by balancing a strong financial discipline that creates shareholder value while investing in growing the company. Our return on invested capital has more than tripled over the past five years.

Operating income increased to \$699 million compared to \$622 million in 2006, and net income per share increased to \$3.29 compared to \$2.92 in 2006.* Our cash flow performance of \$851 million was very strong in 2007.

The more than \$4 billion in free cash flow generated over the past seven years gives us the financial capabilities to grow our business and deliver value for shareholders.

With a balance sheet that is the strongest in 10 years as a foundation, we continue to grow sales faster than the market, and over the last five years we have grown profits faster than sales – while investing in the long-term growth of Arrow.

Our goal is to drive industry-leading performance now, while investing strongly in our future for the growth and success of Arrow. Our vision remains the same: to be the clear number-one worldwide provider of products, services and solutions to connect technology with customers, to power the supply chain, and to deliver premium investment results for our shareholders.

The priorities that guided us in 2007 and will guide us in the years to come include targeting profitable growth areas where we see opportunity in our Global Components business and continuing the transformation and expansion of our Enterprise Computing Solutions business, while building shareholder value.

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



Growth in Global Components

Our Global Components business achieved record sales of \$11.2 billion, more than half from outside the United States. We are the market leader in North America and Europe, as well as a major player in Asia-Pacific, and we increased sales and profitability in 2007 in a market that showed low single-digit growth.

In North America, we saw strength in our vertical market initiatives as we grew our business in the lighting, industrial and transportation markets. We are moving ahead with strategic initiatives to expand further into our core area globally, serving small- and medium-sized customer segments. In an increasingly competitive marketplace, we are always identifying ways to operate more efficiently and create even more value for our business partners.

In Europe, we are building upon our market-leading position. We are investing in broadening our customer base, and made progress in our initiatives to achieve a seamless Pan-European structure. The ongoing movement of manufacturing to Eastern Europe presents growth opportunities for us, and we have expanded our operations in Russia.

The Asia-Pacific market continues to expand and now accounts for approximately half of the worldwide use of electronic components. This region represents 22 percent of our total components revenue, up from 13 percent in 2003. Our focus is to drive profitable growth through our strong local presence while leveraging our global reach. Ongoing efficiency initiatives helped us generate the highest operating income for this

business since 2000 as well as significant improvements in our return on working capital.

Our strategic move to launch the Arrow Japan subsidiary and the acquisition of Universe Electron Corporation, a Tokyo-based distributor of semiconductor and multimedia products to the region's major manufacturers and firms, will allow us to expand our components business in Japan's \$60 billion marketplace.

As we look forward, we see significant opportunities to grow across markets, geographies and products, particularly with small- and medium-sized customers that comprise approximately 80 percent of sales in our components business. This customer base represents a growth engine for us and is expected to outpace long-term market growth rates.

Other growth areas include high-brightness light-emitting diodes, or LEDs, where we have established an industry-leading position and doubled our customer base and revenues over the past year. LEDs are expected to be an \$8 billion global market by 2010, and we are excited about the opportunities in this rapidly developing market where electronic lighting modules are playing an increasing role.



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Passives, electromechanical and connector products are another growth area for our components business as we build upon our number-one position and expand into new customer segments. We are also well positioned in the medical market where we provide the design, compliance and critical time-to-market services for customers operating under stringent government regulations and certifications. Industrial and transportation represent additional growth opportunities given the trend toward the increasing use of electronic components in those markets.

As our world becomes more digitally oriented, the demand for analog products that convert real-world sources into digital signals is increasing at a pace much greater than the overall components market. We have an industry-leading position in analog products, and we fully intend to grow that position.

Transformation of Enterprise Computing Solutions

Throughout 2007, we continued on our journey to transform our Enterprise Computing Solutions business, and we began to reap the financial and operational benefits. Sales in Enterprise Computing Solutions increased 132 percent over the last three years, and this business now represents nearly a third of Arrow's total revenues.

This business serves value-added resellers (VARs), companies that provide a wide range of computing solutions to customers, from small businesses to larger organizations requiring more complex solutions. The expansion of our Enterprise Computing Solutions business gives us a more balanced portfolio offering unique software- and solution-selling capabilities with the increased scale necessary to achieve greater levels of operating efficiency.

Enterprise Computing Solutions generated double-digit organic growth in 2007 in a market that grew in the midsingle digits. Driven by acquisitions and strong performance in the fast-growing segments of industry-standard servers, storage, software and services, this business grew revenues to \$4.8 billion in 2007, a 91 percent increase from 2006. Operating income rose to \$202 million in 2007, representing a 64 percent increase from the prior year.

We increased our geographic reach with the acquisitions of DNSint.com AG in 2005, InTechnology plc in 2006 and the Centia Group Limited and AKS Group AB in 2007. We gained significant cross-selling opportunities with the acquisitions of Alternative Technology in 2006 and KeyLink Systems Group (KeyLink) from Agilysys, Inc., in 2007. These acquisitions will accelerate our growth in the enterprise computing solutions market.





Arrow Worldwide

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

These strategic moves have significantly expanded our reach to resellers in 22 countries and territories. All of these acquisitions are on track, fully integrated, and are meeting our target financial goals.

Enterprise Computing Solutions unveiled an expanded portfolio of storage, software, security products and services. This focus on selling total solutions better enables our reseller and supplier partners to serve the growing technology needs of medium-sized businesses. This strategy leverages our vertical market expertise in the \$87 billion midmarket – the fastest-growing segment in enterprise computing – which also helps to diversify our revenue stream.

We continue to make investments in this business, such as in the fast-growing markets of Eastern Europe and high-growth customer segments in North America. We are laying the groundwork to create further long-term opportunities for our vendors, resellers and customers.

Investing in the Long-Term Growth of Arrow

Looking ahead, we are confident of our ability to perform in any marketplace given our leading position, our broad base of approximately 140,000 customers and 700 suppliers, and our global network of more than 300 locations in 50 countries and territories. Entering new geographies and markets, expanding our product offerings and operating more efficiently will increase our ability to serve our customers.

Our disciplined operations and financial focus coupled with our market-leading position enable us to manage the company for consistent performance as we invest in Arrow for the long term.

We are transforming our systems to operate with standardized global processes through our ongoing enterprise resource planning (ERP) platform initiative. By moving to one global system, we will draw on best practices across the entire organization as we drive the



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company to higher levels of efficiency and productivity, allowing us to enhance business agility and customer service. This program is on track and on schedule, and we believe its benefits, when fully implemented, will in fact be even greater than when the program was first announced over a year ago.

In March 2008, Michael J. Long was named president and chief operating officer of Arrow, and elected to the board of directors. Joining Arrow in 1991, Mike held significant leadership positions in Arrow's businesses, most recently as senior vice president of Arrow and president of Global Components. Prior to that, he was president of Arrow North American Computer Products (now Enterprise

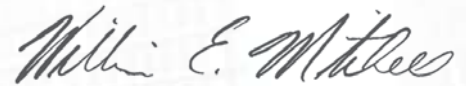
Computing Solutions). Mike has been a powerful contributor to Arrow's growth agenda, and I am delighted that all of our businesses now will benefit from his leadership.

We also announced the appointment of Gail E. Hamilton, former executive vice president of Symantec, to our board of directors. Gail brings over 20 years of experience growing technology and services businesses in the enterprise market. Her proven track record of creating value for customers in this industry will be an asset to Arrow.

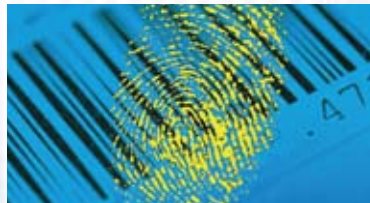
With 12,600 Arrow employees around the world as our solid foundation, we are committed to developing and cultivating the future leadership at Arrow for the ongoing success of the company.

In 2007, Arrow was once again named to Fortune magazine's list of America's Most Admired Companies. In addition, Arrow was selected as one of Forbes magazine's 400 Best Big Companies in America. These and other awards and acknowledgements from customers, suppliers and the media reflect the importance we place on listening to the distinct needs of our customers.

Continuing to create value for our business partners and shareholders while investing in future growth and profitability is our priority. As our 2007 results demonstrate, we are generating solid results while investing in our vision for the future. We have made substantial progress on our journey in the last five years – we remain excited about and committed to what we believe is a strong, vibrant future for Arrow.



William E. Mitchell
Chairman & 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, certain income tax related 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,	2007	2006	2005
Operating income, as reported	\$686,905	\$606,225	\$480,258
Restructuring and integration charges	11,745	11,829	12,716
Pre-acquisition warranty claim	-	2,837	-
Pre-acquisition environmental matters	-	1,449	-
Acquisition indemnification credit	-	-	(1,672)
Operating income, as adjusted	\$698,650	\$622,340	\$491,302
Net income, as reported	\$407,792	\$388,331	\$253,609
Restructuring and integration charges	7,036	8,977	7,310
Deferred tax adjustment	(6,024)	-	-
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
Write-down of investment	-	-	3,019
Acquisition indemnification credit	-	-	(1,267)
Net income, as adjusted	\$408,804	\$358,737	\$265,267
Net income per diluted share, as reported	\$3.28	\$3.16	\$2.09
Restructuring charges	.06	.07	.05
Deferred tax adjustment	(.05)	-	-
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
Write-down of investment	-	-	.03
Acquisition indemnification credit	-	-	-
Net income per diluted share, as adjusted	\$3.29	\$2.92	\$2.18

BOARD OF DIRECTORS

William E. Mitchell

Chairman and Chief Executive Officer,
Arrow Electronics, Inc.

Daniel W. Duval

Lead Independent Director,
Arrow Electronics, Inc.

John C. Waddell

Vice Chairman,
Arrow Electronics, Inc.

Gail E. Hamilton

Former Executive Vice President,
Symantec

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.

Michael J. Long

President and Chief Operating Officer,
Arrow Electronics, Inc.

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

EXECUTIVE OFFICERS

William E. Mitchell

Chairman and Chief Executive Officer

Michael J. Long

President and Chief Operating Officer

Peter S. Brown

Senior Vice President, General Counsel
and Secretary

John P. McMahon

Senior Vice President,
Corporate Human Resources

Paul J. Reilly

Senior Vice President
and Chief Financial Officer

CORPORATE OFFICERS

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)

Kevin J. Gilroy

Senior Vice President and President,
Arrow Enterprise Computing Solutions (ECS)

Ernest Keith

Vice President, Worldwide Operational
Excellence, Arrow Global Components

Peter T. Kong

Vice President and President,
Arrow Asia/Pacific

Bhawesh C. Mathur

Senior Vice President,
Supplier Marketing and Asset Management,
Arrow Global Components

Brian P. McNally

Vice President and President, Global Alliance
and Supply Chain, Arrow Global Components

Vincent Melvin

Vice President and Chief Information Officer

M. Catherine Morris

Senior Vice President and President,
Arrow Enterprise Computing Solutions (ECS)

Jan M. Salsgiver

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

Vincent Vellucci

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

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Independent Registered Public Accounting Firm

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

Transfer Agent and Registrar

The Bank of New York
Mellon Shareowner Services
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Jersey City, New Jersey 07310

Annual Meeting

The Annual Meeting of Shareholders
will be held at 11 a.m. on May 2, 2008,
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

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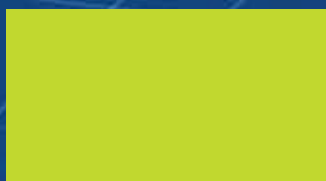
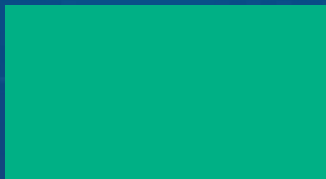
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