Delivering from a foundation of STRENGTH in uncertain times

Arrow Electronics, Inc.
Annual Report 2008

To Our Fellow Shareholders:

The second half of 2008 proved to be difficult as the economic environment became increasingly unsettled and ultimately affected every business. Indications are 2009 may be even more challenging in light of the uncertainty surrounding the deteriorating global economic situation. Certainly no one can claim to know its length or depth.

In the midst of this volatile global market, we have worked hard to ensure Arrow continues to operate from a foundation of strength. Arrow's business fundamentals remain solid and we are in a strong financial and market position. Our balance sheet and capital structure are strong, enabling our company to withstand fluctuations in the marketplace. Our cash flow from operations was nearly $620 million in 2008, and at year end we had over $450 million in cash with $1.4 billion of committed liquidity. This enables us to maintain a prudent financial position, while still allowing us to invest in growing profitable market share, enter new markets and build additional world-class capabilities.

Against the backdrop of the challenging global economic environment, Arrow's sales increased in 2008 to $16.8 billion, a record level. We have taken, and will continue to take, decisive actions to ensure that Arrow's financial position remains strong and our cost structure is in line with current market conditions. We will continue to pursue operating efficiencies across all of our businesses. We are committed to driving profitability, ensuring we are self-funding through strong cash flow generation and solidifying our already strong balance sheet, whatever the market conditions, while at the same time drawing upon our financial strength to invest selectively in opportunities for long-term growth. This not only strengthens Arrow to withstand the current economic pressures, but also positions the company well in the inevitable global rebound.

For example, even in the face of 2008's economic uncertainty, we made strategic investments to build upon our market position. This included acquisitions that expanded Arrow's reach in Europe and Asia – increasing our geographic footprint and diversifying our product and revenue streams so that we are not dependent upon any single economy, end market or product set.

We also continue to invest in Arrow's business systems to enable higher levels of productivity across the company. We made significant progress in our enterprise resource planning (ERP) initiatives that will standardize Arrow's processes around the world. The integration of our Enterprise Computing Solutions business in North America onto this new ERP platform will be completed in 2009, with plans calling for the initial rollout in our Global Components business in 2009 as well. This important investment will enable our business to operate more efficiently, as well as accelerate cross-selling opportunities, resulting in improved profitability and cash flow.

Many of our decisions during this challenging economic period have been difficult but necessary. Managing the company in a fiscally disciplined manner and staying attuned to the realities of the markets in which we operate have enabled Arrow to be in a strong financial position to weather the economic downturn. As a result, we believe Arrow will emerge even stronger than before.

William E. Mitchell
Chairman and Chief Executive Officer

Michael J. Long
President and Chief Operating Officer

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 800 suppliers and 130,000 original equipment manufacturers, contract manufacturers and commercial customers through a global network of more than 340 locations in 53 countries and territories.

Global Components: Expanding our reach

Our Global Components business posted record sales of $11.3 billion in a market that was progressively cautious and competitive. We are a market share leader in North America and Europe, and we saw excellent market share gains from the Asia-Pacific region in 2008.

In North America, our vertical market initiatives are providing Arrow with strong growth opportunities in our core small- and medium-sized customer segments. Our defense and aerospace segment performed well, and in early 2008 we announced the acquisition of ACI Electronics LLC, one of the largest independent distributors of electronic components for military and aircraft applications. We also took early and decisive steps to strengthen our leading profit margins in our components business in the face of a difficult market.

Europe was also a challenging market in 2008, and we took the necessary steps to preserve our market-leading position while maintaining our financial strength. At the same time, we broadened our customer base in Europe by focusing on the small- and medium-sized customer segments, and we will continue with initiatives to increase operational efficiency and drive profitability in the region.

We saw double-digit growth in Asia-Pacific in 2008. This region represents 27 percent of our total components revenue, up from 22 percent in 2007, and we fully expect this percentage to increase as our growth and profitability strategies begin to generate strong returns.

Asia-Pacific remains an area for strong organic and acquisition-related growth. During the year, we announced acquisitions that expanded Arrow's reach and enhanced our demand-creation capabilities in the region. This strategic expansion included the electronic distribution business of Hynetic Electronics and Shreyanics Electronics in India, the Asian components distribution business of Singapore-based Achieva Ltd., and Excel Tech, Inc. in Korea and Eteq Components Pte Ltd in Singapore that provide access to leading semiconductor suppliers for Asia.

Looking ahead, we see opportunities for growth in terms of vertical markets and existing and new product lines across all of our components business. For example, Arrow is well positioned in the high-brightness, light-emitting diodes (LEDs) market, with our global lighting initiative securing many customers new to distribution. The medical, transportation and industrial markets represent growth areas for Arrow given the increasing electronic content in devices used in the health care, manufacturing and factory automation fields. Passive, electromechanical and connector products continue to be a solid growth segment as well.

We have made key investments in the business while taking the strong actions to ensure Arrow's financial position remains solid – that is what strong companies do, and we will continue to do so both during and after this challenging economic period.

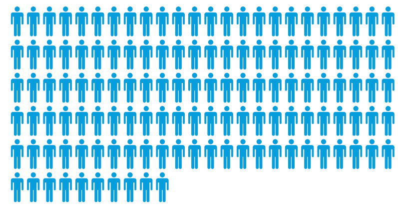
Global Enterprise Computing Solutions: Continuing the transformational journey

The performance of our Enterprise Computing Solutions is proof that we have the right strategy in place to transform this business. Enterprise Computing Solutions posted sales of $5.4 billion, a 14 percent increase over 2007. Even with the global economic challenges, customers' needs for complex, mission-critical technology systems, the foundation of our business, did not diminish in 2008.

Employees

12,700

Customers



130,000

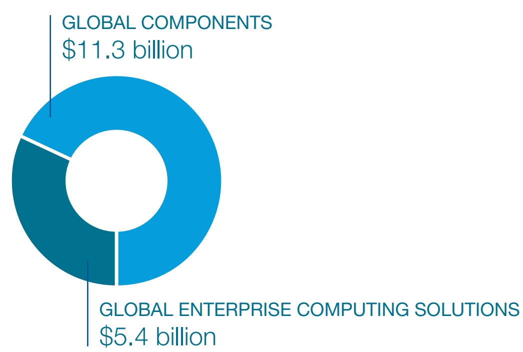
Suppliers

800

Worldwide Locations

340

2008 Sales



The transformation of Enterprise Computing Solutions involved the evolution to a more balanced and diversified product portfolio to provide a total set of solutions to the customer. To lead this portfolio expansion, Andrew Bryant, a 26-year industry veteran with a long track record in enterprise computing solutions distribution, was named president of this business in 2008.

While 2008 saw an increase in competitive activity in a number of our markets, we believe we have made the right investments to ensure this business is positioned for the long term. A key element is expanding the European footprint of this business to provide the necessary scale to improve our operating performance in the region. In June 2008, we acquired LOGIX S.A., a subsidiary of Groupe OPEN and a leading distributor of midrange servers, storage and software in 11 European countries. This acquisition brought Enterprise Computing Solutions' total global reach to 28 countries and diversified our suite of solutions by nearly doubling our product offerings in Europe.

We also launched our program dedicated to building a channel for vendors and value-added resellers to expand their reach in the growing "midmarket" IT segment. Our midmarket initiative offers value-added resellers customized technology solutions for medium-sized businesses, along with research and data analytics to target the right prospects, and training and marketing support.

Looking ahead, we will continue to create long-term opportunities for our vendors, resellers and customers. Virtualization represents a strategic growth area that drives incremental sales across our Enterprise Computing Solutions portfolio. This technology allows multiple "virtual" servers to run on a shared machine and achieve greater storage capacity at the same time. It also provides additional "drag-along" sales in software, storage and servers that touch upon our entire portfolio.

Arrow: Well positioned through strength

Strength enables one to focus on looking forward rather than looking back. Even in the midst of one of the most unsettled global economic environments of our time, we are confident of our ability to perform in any market given our financial strength, our leading position, our experienced and talented workforce, our broad customer and supplier base, and our global scale.

Another important strength is that a best-in-class company operates with solid talent development and succession plans in place to ensure continued success. Succession planning is a critical element of every manager's responsibility at Arrow, and talent development is a key part of the company's fabric. As a result, we have been engaged with Arrow's board of directors in a long-term succession planning process. Representing the next step in that process, in March 2009 Arrow's board of directors named Michael J. Long as chief executive officer of Arrow, effective May 1, 2009. Mike has served as president and chief operating officer and a director of the company since March 2008, and held significant leadership positions across our businesses since joining Arrow in 1991. William E. Mitchell, who has been chief executive officer since February 2003 and chairman since 2006, will remain as chairman until the end of 2009 to ensure a seamless transition.

Arrow occupies a powerful position in the supply chain, with growth opportunities across every customer segment, end market, geography and technology. We provide extraordinary value to our customers and suppliers – the best technology companies in the world – as we connect them through our industry-leading services.

We thank the entire Arrow team for their continued commitment as we move ahead with initiatives to build a strong future for the company. Through Arrow's strength, we are managing the company prudently while investing in long-term growth and profitability to create exciting opportunities for our business partners and our shareholders.

William E. Mitchell
Chairman and Chief Executive Officer

Michael J. Long
President and Chief Operating Officer

See page 4 for a reconciliation of the company's non-GAAP financial information.

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, Luxembourg, Malaysia, Mexico, Morocco, New Zealand, Norway, Philippines, Poland, Portugal, Romania, Scotland, Serbia, Singapore, Slovakia, Slovenia, Spain, Sweden, Switzerland, Taiwan, Thailand, the Netherlands, the Russian Federation, Turkey, Ukraine, United States, Vietnam

Non-GAAP Financial Information

In addition to disclosing results that are determined in accordance with Generally Accepted Accounting Principles (GAAP), the company provides certain non-GAAP financial information relating to operating income (loss), net income (loss) and net income (loss) per diluted share, each as 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 legal and income tax-related matters, the prepayment of debt, the impairment charge associated with goodwill, and the write-down of investments. The following table sets forth reconciliations of operating income (loss), net income (loss) and net income (loss) 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 (loss), net income (loss) and net income (loss) 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,	2008	2007	2006
Operating income (loss), as reported	$ (493,569)	$686,905	$606,225
Impairment charge	1,018,780	-	-
Restructuring and integration charges	70,065	11,745	11,829
Preference claim from 2001	10,890	-	-
Pre-acquisition warranty claim	-	-	2,837
Pre-acquisition environmental matters	-	-	1,449
Operating income, as adjusted	$ 606,166	$698,650	$622,340
Net income (loss), as reported	$(613,739)	$407,792	$388,331
Impairment charge	905,069	-	-
Restructuring and integration charges	55,300	7,036	8,977
Preference claim from 2001	6,576	-	-
Loss on the write-down of an investment	10,030	-	-
Impact of settlement of tax matters:			
Income taxes	(8,450)	-	(40,426)
Interest (net of taxes)	962	-	(2,431)
Deferred tax adjustment	-	(6,024)	-
Pre-acquisition warranty claim	-	-	1,861
Pre-acquisition environmental matters	-	-	867
Loss on prepayment of debt	-	-	1,558
Net income, as adjusted	$ 355,748	$408,804	$358,737
Net income (loss) per diluted share, as reported	$(5.08)	$3.28	$3.16
Impairment charge	7.49	-	-
Restructuring and integration charges	.46	.06	.07
Preference claim from 2001	.05	-	-
Loss on the write-down of an investment	.08	-	-
Impact of settlement of tax matters:			
Income taxes	(.07)	-	(.33)
Interest (net of taxes)	.01	-	(.02)
Deferred tax adjustment	-	(.05)	-
Pre-acquisition warranty claim	-	-	.02
Pre-acquisition environmental matters	-	-	.01
Loss on prepayment of debt	-	-	.01
Net income per diluted share, as adjusted*	$ 2.93	$3.29	$2.92

* Net income per diluted share, as adjusted, is computed by dividing net income, as adjusted, by the weighted average number of common shares outstanding in addition to the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted to common stock. For 2008, net loss, as reported, as well as each of the charges, credits, and losses that impact the comparability of our operating results, exclude the impact of potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted to common stock because the effect would be anti-dilutive.

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 Corporation

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
President,
MMP Group

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,
Human Resources

Paul J. Reilly
Senior Vice President
and Chief Financial Officer

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New York, New York 10036-6530

Transfer Agent and Registrar

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

ARROW ELECTRONICS, INC.

Annual Meeting

The Annual Meeting of Shareholders
will be held at 11 a.m. on May 1, 2009,
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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Opportunity Employer.