ARROW ELECTRONICS, INC.

1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 !

2000 annual report

ARROW'S global network

ARROW AMERICAS

Countries
Argentina
Brazil
Canada
Mexico
U.S.A.

Employees 7,542
Sales locations 113
Distribution centers 7

ARROW EUROPE

Countries

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

Employees 3,838
Sales locations 76
Distribution centers 10

ARROW ASIA/PACIFIC

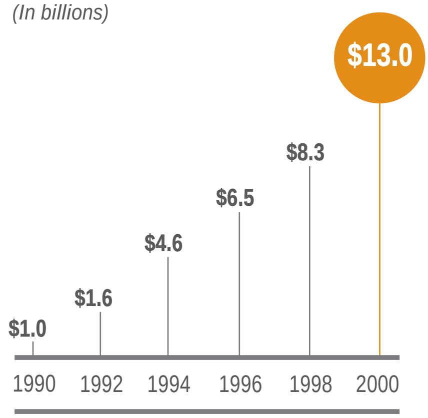
Countries/Territories

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

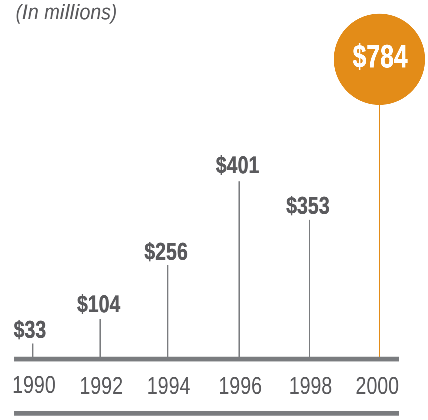
Employees 844
Sales locations 37
Distribution centers 6

ARROW'S global performance

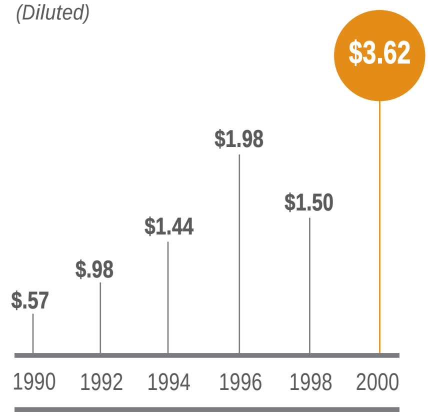
Sales
(In billions)



Operating Income
(In millions)



*Earnings Per Share**
(Diluted)



* *Before extraordinary charges in 1992 and acquisition charges in 1994. Years prior to 1998 are restated to reflect a two-for-one stock split effective October 1997.*

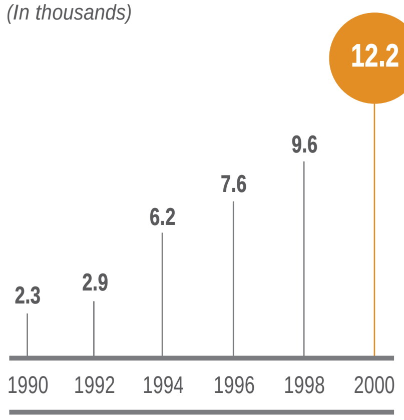
ARROW'S financial highlights

(In thousands except per share data)

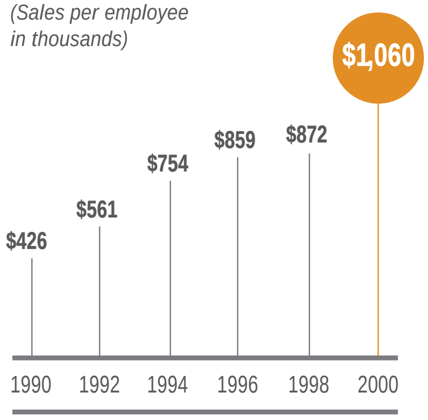
For the year	2000	1999*	1998
Sales	**$12,959,250**	$9,312,625	$8,344,659
Operating income	**784,107**	338,661	352,504
Net income	**357,931**	124,153	145,828
Earnings per share			
Basic	**3.70**	1.31	1.53
Diluted	**3.62**	1.29	1.50
At year-end			
Total assets	**$7,604,541**	$4,483,255	$3,839,871
Shareholders' equity	**1,913,748**	1,550,529	1,487,319
Common shares outstanding	**98,411**	95,945	95,628

** Includes a special charge associated with the acquisition and integration of Richey Electronics, Inc. and the electronics distribution group of Bell Industries, Inc. Excluding this charge, operating income, net income, and earnings per share on a basic and diluted basis were $363.2 million, $140.6 million, $1.48, and $1.46, respectively.*

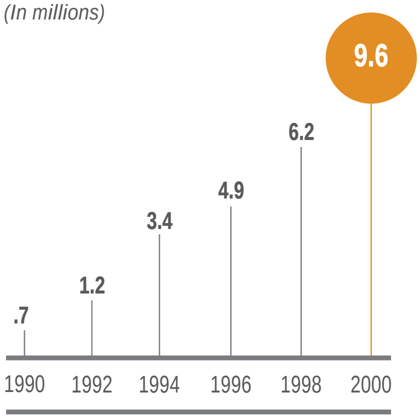
Employees
(In thousands)



Productivity
(Sales per employee
in thousands)



Transactions Per Day
(In millions)



The year 2000 marked the first full year of recovery and expansion after three long years of the most severe recession in the history of our industry. This first year of the 21st century was characterized by strong demand, long lead times for components, and constrained supplies, which led to firm prices and a rapid acceleration in our sales and earnings.

You may recall from previous letters that even during the 1997-1999 downturn, we continued to make significant investments in information technology, warehousing and logistics, new value-added and supply chain management services, and training and development programs for our employees. Those investments served us exceedingly well in 2000. This unwavering focus on enhancing our capabilities and capacities allowed us to respond effectively to our customers' growing demands and changing needs and positioned us to take full advantage of the industry upturn that occurred in 2000.

As a result of the industry growth and our expanded services, consolidated sales grew by nearly 40 percent to $13 billion, compared to $9.3 billion in 1999. Increased margins and operating efficiencies resulted in net earnings of $358 million, compared to $124 million in 1999. Our earnings per share climbed to $3.62—more than 75 percent above our prior peak in 1995, while our return on average equity rose to 21 percent, just above the 20.6 percent we saw at the peak of the last cycle. While favorable market conditions fueled much of this year's performance, our growth and our return to our shareholders outpaced the industry.

Despite the challenges we faced during the previous downturn, we vigorously pursued our strategy of investing in services and technologies that support our customers' need for faster and more efficient design, materials management, and manufacturing support. As a result, today we are much more than a provider of parts and products. We have become the knowledge, information technology, and supply chain management services provider to more than 200,000 customers around the globe. From product conception and design, to materials planning and management, to the factory floor, Arrow provides essential services that help our customers develop and manufacture their products.

Leading Provider of Products and Services

From the first time we gave a customer direct access to our MIS system in 1979, to our first EDI transaction in 1989, to our industry-leading Internet capabilities of today, Arrow has led the industry in system-to-system connections and electronic transactions. This past year, more than a third of the revenue in our Arrow Americas Components businesses was generated from transactions on our e-compass™ system, an on-line computer-to-computer connection for forecasting, inventory pipelining, ordering, and scheduling product deliveries. Our arrow.com PRO-Series suite of supply chain tools provides real-time and direct access to the inventory and ordering functions on Arrow's host computer system. To provide greater access to our knowledge of component technology and availability, we successfully pilot tested a new web-based service for assessing components for performance, pricing, and procurement risk early in the design phase, and we began rolling it out to customers late in the year.

While developing our e-commerce capabilities, we continued to expand our warehousing, logistics, and value-added capabilities. The strength of our European business led to the opening of our first Pan-European automated distribution facility in Venlo, the Netherlands. With the increased demand for programmable logic devices, Arrow value-added centers around the globe programmed more than 125 million components last year. To respond to the growing need for these services in the Asia/Pacific region, we began construction on a second programming center in Malaysia.

Building the Industry's Strongest Global Network

While we experienced significant organic growth in each region, we continued to acquire companies to expand our presence in growing markets and customer segments. Extending our reach to Israel, we acquired a majority interest in Rapac Electronics Ltd. Our acquisition of Tekelec in Southern Europe and Jakob Hatteland Electronics in the Nordic countries significantly increased the scale and scope of our businesses in those regions.

In the Americas, we strengthened our presence in Mexico by acquiring a majority interest in Dicopel S.A. de C.V. Our acquisition of the Wyle components and systems divisions of the VEBA Electronics Group increased our design capabilities and the size of our computer products customer and supplier base in North America. In the fall, MOCA, formerly the open computing alliance subsidiary of Merisel, Inc., joined our North American Computer Products line-up of mid-range computing companies. Focused solely on Sun Microsystems enterprise solutions, MOCA offers the full range of Sun platforms, servers, workstations, and associated software products and services.

With these acquisitions worldwide, we now serve customers and suppliers in every major segment and in every market in which they choose to do business.

Changing Leadership and Continuing Traditions

This past year marked a transition in leadership as Stephen P. Kaufman stepped down after 14 years as CEO, and Francis M. Scricco, formerly President and Chief Operating Officer, was elected Chief Executive Officer. Fran joined Arrow in the fall of 1997 as Executive Vice President and Chief Operating Officer with responsibility for Arrow's North American Operations. In 1999, with his appointment to President, his responsibilities were expanded to include responsibility for the day-to-day management of Arrow businesses worldwide, and in July he became only the fourth CEO since the birth of the modern-day Arrow in 1967. Steve will remain active as our Chairman, but on a less than full-time basis. The inside back cover of this report captures some notable moments from Steve's years at Arrow's helm.

In 1994, Arrow's management team was challenged to aim to become a $10 billion global company by the year 2000. Our worldwide team of more than 12,000 employees not only met, but also surpassed that objective. As result of their efforts, *Fortune* magazine has for the fourth time recognized Arrow Electronics on its list of America's most admired companies.

While we celebrate our past accomplishments, Arrow has never been a company to rest on its laurels. Meeting with our senior leaders around the world, Fran Scricco has already outlined his vision for Arrow for the next decade. That vision is to become the universally recognized first-choice and essential provider of products and services for the fast-growing electronics industry.

Our industry has always been subject to dramatic and sometimes painful business cycles, and, while we are pleased by the favorable market conditions of 2000 and our strong financial performance throughout the year, we must always be ready for the inevitable repeat of this cyclical pattern. Our response will be as it has been for the past 35 years: We will continue to invest in additional capacity, broader capabilities, and expanded services to give our customers greater access to our knowledge, supply chain expertise, and information and e-commerce technology, and continue our tradition of providing superior service to more than 200,000 customers and 600 suppliers around the world.

Our products and services play an essential – although often invisible – role in the manufacture of so many products that are a critical part of our everyday lives. This year's annual report is a tribute to the discovery, the support, the innovation, and the knowledge of the Arrow employees around the world who make that possible.

Francis M. Scricco
President and Chief Executive Officer

Stephen P. Kaufman
Chairman

Leading provider of products and services to the fast-growing electronics industry

While Arrow Electronics is known as the worldwide leader in electronic components and computer products distribution, we are much more than a provider of parts and products. Our mission is to represent our chosen suppliers by assisting our customers in the design, manufacture, and use of electronic products from concept through production…globally…profitably. From standard inventory bonding programs–to in-plant stores–to programming parts–to complex e-commerce supply chain solutions, Arrow provides services and programs that increase design and production efficiency at more than 200,000 customers worldwide. Each day, our 12,000 employees work closely with our valued suppliers to understand the new technologies that make it possible for our customers to develop and to manufacture their products. From the mammogram machine that makes early detection of breast cancer possible–to the navigation systems used in ships and automobiles–to the infrastructure that drives the Internet, Arrow helps bring to market so many of the products that are essential to the world in which we live.

Arrow sales and technical teams around the world work with our customers to shorten their design cycles and to speed their time to market. They work side by side with engineers at the customer to solve design challenges and to recommend components that will deliver the performance that the product requires. Engineers have come to depend on arrow.com and its component search and Internet tools for researching technologies and designing in key components. In a recent survey by the industry's leading engineering journal, they identified arrow.com as their first choice and favorite web site.

Betty Jane Scheihing, Senior Vice President of Worldwide Operations, works with a team of Arrow global managers on breakthrough service strategies at the Harvard Business School.

Comprehensive management of our customers' supply chains to speed their procurement and manufacturing processes has become our core competency. Inventory and material management services, in-plant stores, and just-in-time programs are just some of the supply chain management solutions that Arrow offers to provide ultimate procurement efficiency for our customers. Many companies today claim to offer e-commerce supply chain solutions, but they have little more to offer than software. Arrow Electronics leads the industry in e-commerce supply chain solutions, backed by a global infrastructure that includes 23 distribution centers, housing nearly $3 billion in inventory.

Today, close to a thousand customer sites, generating over a third of Arrow Americas Components' sales, are electronically connected to Arrow through our e-compass system, our suite of forecasting and scheduling tools. With this connection, manufacturers can transmit forecasts, pipeline materials, maintain and change inventory requirements, and evaluate forecasting accuracy. More than 40,000 customers in Europe and the Americas use the arrow.com PRO-Series suite of tools to order components, to track scheduled orders, and to make changes in delivery dates and quantities. Since its inception in 1999, PRO-Series has led the B2B e-commerce industry with its real-time, on-line ordering and inventory tracking capabilities. On every significant list of best-in-class B2B e-commerce companies, Arrow has been recognized as an e-commerce leader that delivers superior solutions and service to its customers.

Arrow continues to support customers as they move from the procurement and materials planning phase to production and assembly. Original equipment and contract manufacturers use Arrow's physical value-added programs to reduce their manufacturing costs and to increase the speed of production. Arrow has programming centers in eight strategic locations around the globe. In North America alone, we programmed more than 400,000 components daily in 2000. Our cable assembly and electromechanical value-added programs helped nearly 10,000 original equipment manufacturers (OEMs) complete production on their products. For our industrial and commercial computer products customers, we completed more than 200,000 systems products integrations. Our mid-range computing configuration services bring the power of the best manufacturers of data management systems to the worldwide web.

In companies, homes, hospitals, schools, and factories around the world, our customers' products bring information, technology, convenience, and hope. At Arrow, we are proud to play an essential role in the development and manufacture of these products.

An Arrow engineer works with a customer to design in the latest technology.

A purchasing manager forecasts and pipelines inventory using Arrow's e-compass™ system.

Using robotics, components are auto-inserted onto a motherboard.

The end product–a gasoline pump with credit card and ATM payment options–is delivered.

An annual mammogram detects early signs of breast cancer, creating more treatment options and the possibility of recovery. A CAT scan confirms that a child's fall caused only a mild concussion. An MRI helps a doctor find the source of a patient's back pain. A blood analyzer pinpoints the cause of an infant's dangerously high fever. Advances in medical imaging and instrumentation have provided more information, early diagnosis, and help to millions of people around the world. Growth in the manufacturing of these critical products in 2000 drove an increase in Arrow's sales to this customer segment of more than 40 percent year over year.

Manufacturers of medical equipment face unique challenges. Government regulations in most of the world require extensive approval of the components and products before manufacturing and delivery of the equipment to the market. Substitution of approved components is not permitted, and this leaves these manufacturers particularly vulnerable to changes in component supply and computer product life cycles. Arrow's design services and end-of-life product management programs ensure that the approved components and products are available throughout the life cycle of the medical system.

From the time a medical equipment manufacturer first conceives of a new product, our engineers work with the customer's design team on technical challenges and solutions. With more than 550 design engineers and dozens of design centers worldwide, Arrow brings the power of our suppliers' latest technology solutions to customers. We have more engineers assigned to support sales teams than any other distributor. In the early design stages, Arrow field application engineers work with customers to design and finalize the architecture of the system. They tap into the latest and most advanced componentry and computer products from Arrow's premier line card.

As a result of our close supplier relationships with more than 600 leading manufacturers, our engineers receive early training on products to which our customers have not yet had access. At our ASK Engineering centers in Denver, Colorado, and Thousand Oaks, California, engineers provide immediate answers to Arrow teams as they work with customer engineers on complex medical imaging systems designs. All of these resources provide faster access to newly introduced component and computer product technologies.

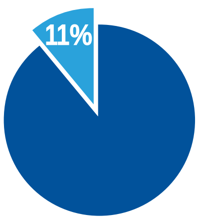
A medical equipment manufacturer cannot afford to design in components and products that will not be available for production after the lengthy government approval process is completed. Arrow has long offered these manufacturers end-of-life product management services where we purchase end-of-life products for the customer and hold and manage that inventory–sometimes for years–until the customer is ready to begin production.

Many manufacturers have been faced with the challenge of procuring components that are rarely purchased or have disappeared from the suppliers' product lists, causing the components to be unavailable for the full length of the product's life cycle. To identify potential product obsolescence issues in the early phases of design, Arrow launched a new service in 2000, a proprietary suite of web-based, component risk assessment tools. Design engineers using this service can access key technology information and evaluate specific components for pricing, availability, and end-of-life ratings. Each component entered receives a rating–green for go, yellow for caution, and red for risk. This web-based program provides engineers and production buyers with information in advance of changing market conditions, allocations, diminishing sources of supply, and shifts in component usage patterns. As a result, it significantly reduces the number of changes to the design and shifts those changes to earlier in the process, when the overall cost impact is less.

In addition to our field technical resources and web-based support, Arrow has 37 design centers worldwide for component testing to manufacturer specifications. Our ASIC and Intellectual Property Design Centers are full-service technology organizations that support custom programmable logic and ASIC technology needs. Certified ASIC engineers provide state-of-the-art services to test the logic to ensure that the systems are producible. If faults are discovered during testing, Arrow engineers can provide alternative solutions, which reduce design re-work and cost overruns.

Arrow sales to medical imaging, instrumentation, and scientific testing manufacturers (In billions)

Share of Arrow 2000 Sales



The technology discoveries of the past few years have brought solutions to the most pressing problems in medical diagnosis and treatment. Arrow teams have offered their discovery and design skills to thousands of medical equipment and systems manufacturers to help them develop and deliver the critical products that make those solutions possible.

Using Arrow's web-based engineering tools (photo upper left), engineers are able to research components for performance and end-of-life rating.

At the ASIC Design Center in Irvine, California (photo lower left), Arrow engineers test logic to ensure that the board logic is performing to customer specifications.

Working side by side with a customer's engineering team, Arrow field application engineers suggest solutions to a difficult design challenge.

A traveler rents a car and refers to a dashboard GPS navigation system for directions. Before returning the car, he stops at a local gasoline station for fuel and slides his credit card into the automated pump. Meeting him at the return line, a rental car attendant enters information and prints out a receipt from a wireless terminal. A mechanic takes the car to the garage for emissions testing.

Manufacturers of machine tools, industrial controls, automated vending machines, motors, wireless scanners and terminals, and robotics make all of this possible. As a provider of products and physical value-added services to this growing industrial segment, Arrow Electronics sold more than $1 billion in components, computer products, and services to these manufacturers worldwide in 2000.

For industrial controls manufacturers, time to market and total cost of ownership are critical factors in determining their success in the marketplace. More than any other manufacturing segment, these products are everywhere in our daily lives. The gasoline pump that displays sales and quantities and communicates directly with the credit card company to complete purchases; the scanning device in a local grocery store that automatically enters the price in the register and adjusts the store's inventory; and the candy machine that dispenses treats are all driven by electronic components and computer products. The pace of change in this growing industry requires the fastest and most efficient manufacturing, and that often means evaluating "make versus buy" options.

Arrow value-added centers provide programming, connector and cable assembly services, flat panel display integrations, and systems integration and configuration services–all of which are designed to help customers speed their time to market.

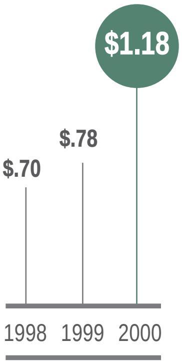
With the world's broadest programmable products line card, world-class programming facilities, and technical experts, Arrow is a single source solution for programmable logic, memory, and microcontroller technology. With these technologies, the product's features and performance are driven by software rather than hardware, and this software must be programmed into the device. More original equipment and contract manufacturers turn to Arrow as their outsourcing partner for programming than any other distributor. To maintain this position, we continue to make significant investments in device programming facilities and equipment. Whether in units programmed or revenues generated by programming, Arrow is the largest programmer of devices in the world and the first-choice partner for programming services.

The screen on the candy or ATM machine that displays immediate information is the result of flat panel display technology that instantly computes and displays data. Our flat panel display line card and integration services have made Arrow the leading distributor to support manufacturers that produce products with display screens. Arrow's flat panel display integration services delivered more than 10,000 completed units in 2000, enabling manufacturers to complete installation of these display systems.

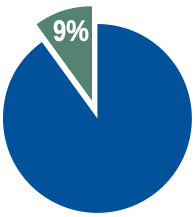
Arrow also provides connector assembly through its Connector Assembly Supercenter, a customized production facility that completed close to 2 million connector assemblies this past year. Our Assembly Management Services Center combines Arrow's materials management expertise with the manufacturing competency of contract manufacturers. This center offers materials management, design for manufacturing, assembly, and in-circuit and functional testing. Assembly services provide a flexible manufacturing strategy that can support pre-production and production requirements.

Arrow Systems Integration Centers deliver complete design, customization, integration, assembly, and testing of computer systems and subsystems from entry-level to high-end platforms and servers. Our production teams also assemble various solutions for multiple interfaces and platforms. For host systems, we provide custom cabling and support, board and system-level modifications, configurations, testing, engineering change order notification, bar code tracking, and agency approvals.

Arrow sales to machine tools, industrial controls, vending, motors, scanners, and robotics manufacturers (In billions)



Share of Arrow 2000 Sales



The products developed and manufactured by industrial controls, vending, and robotics companies bring automation and convenience to our everyday lives. By assisting these customers in manufacturing these products, Arrow supports easier and faster access to the technology, information, and the convenience that these products provide.

Arrow flat panel display integration teams delivered more than 10,000 completed units to customers in 2000.

At eight locations around the world, Arrow used state-of-the-art programming systems to program more than 125 million components last year.

A child working on a computer watches a video being sent directly to her desk from a classroom on the other side of the continent. An executive on a street in London logs on to the Internet from his mobile phone to read today's newspaper headlines. A large, global company connects all of its employees around the world on a computer network, enabling them to share information and coordinate business activities. A cable connection to a home brings both television programs and high-speed Internet access.

It takes literally tens of thousands of components to build the telecommunications networks and wireless communications systems that make all of this possible. Arrow teams around the globe work with manufacturers to deliver innovative supply chain solutions to manage the flow of these materials to the production line.

Fiber optics, digital signal processors, RF technology, cables, switches, routers, connectors, trunk lines, discretes, logic devices–the list of components and products used in telecommunications equipment and infrastructure manufacturing is virtually endless. New component technologies are introduced to the market every day. Manufacturers work under constant pressure to incorporate and to leverage technology innovations to improve our communications capabilities. To accommodate the demand for communications in emerging economies, these customers often have multiple manufacturing sites in multiple countries.

Perhaps nowhere are Arrow innovations more evident than in our ability to design complex and flexible supply chain solutions that cross borders and continents. While Arrow technical teams work with the customer on the initial design, Arrow materials management and supply chain experts work in parallel with the customer's purchasing and manufacturing teams to develop the best procurement, supply chain, and manufacturing strategies for the product.

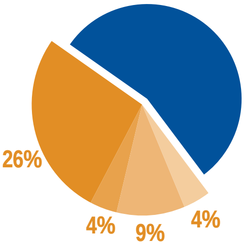
Arrow materials planners conduct detailed needs analyses and inventory profiling. Arrow supply chain specialists evaluate options for delivering components to the manufacturing group for cost efficiency, flexibility, and impact on speed of manufacturing and time to market. They recommend solutions to help the customer migrate to more efficient build-to-order processes, where inventory is available on a just-in-time basis. If the customer decides to outsource manufacturing to a contract manufacturer, the Arrow team works with the customer's partner to plan materials needs, to reserve customer-specific inventory, and to deliver the components needed for production. From planning materials, to identifying manufacturing partners, to selecting needed Arrow physical value-added services, the Arrow team stands ready to help manage the customer's total supply chain.

Arrow specialists have the broadest range of materials and supply chain management solutions to offer. Combining the right services and programs for customers creates a custom solution. An in-plant store to ensure the immediate availability of parts, combined with an electronic data interchange that allows system-to-system forecasting and materials delivery scheduling, reduces the customer's inventory management and product handling costs and ensures product availability. An Arrow CARES™ auto-replenishment solution monitors the use of parts during production and automatically replenishes supply as needed for just-in-time manufacturing.

Designing a supply chain solution to serve multiple geographies adds numerous complexities. Beyond the obvious implications of multiple sites, materials flow and processes must be consistent where the customer demands consistency, and customized to the local practices and culture where the customer needs them to be. The level of service at the in-plant store in Rochester, New York, has to match the level of service at the in-plant store in Singapore. Arrow teams in different countries communicate daily to respond to customers' global and local requirements.

Arrow sales to telecommunications, networking infra-structure, and wireless communication system manufacturers (In billions)

Share of Arrow 2000 Sales



Networking infrastructure 26%
Handsets/cell phones/ mobile units 4%
Wireless/optical 9%
Voice/data/cable 4%

The dramatic expansion of worldwide telecommunications networks and wireless systems demands innovative approaches to supply chain management. In this environment, materials and supply chain management excellence is as important as the technology behind the equipment. Arrow supply chain innovations make it possible for the right components to arrive in exactly the right place, at the right time, and in the exact quantity needed. . . everywhere in the world.

In Hong Kong, Arrow Asia/Pacific managers plan the implementation of the solution at their customer site.

In Melville, New York, supply chain specialists work on an integrated solution for a global customer.

Around the globe, more than 260 million people use the Internet to access information, ranging from a detailed road map for a vacation destination, to a history lesson for a child's book report, to instantaneous updates about financial markets anywhere in the world. Just one example of the power of information systems and Internet applications is the use of on-line services for banking and brokerage services. In 1999 brokerage firms managed close to $700 billion in total assets on-line. By 2004, on-line financial services as a whole are expected to account for more than $3 trillion.

The rapid evolution of the Internet could not take place without technology–both computer power and knowledge. It takes a team of suppliers, value-added distributors, and technical resellers to supply organizations with servers, workstations, data management storage systems, and enterprise software that enable instant access to information. Arrow's sales to OEMs and resellers of data storage and mid-range computing systems accounted for close to $3 billion of our sales in 2000. Our mid-range computer selling groups are at the center of this market, providing technical assistance, training, products, and systems configuration and installation support to a broad range of customers.

To respond to the constant demand for data management and Internet infrastructure technology, Arrow employees undergo continuous training that covers the newest applications and the use of those applications in a variety of industries. With each selling group solely focused on the products and services of major suppliers such as Sun Microsystems and IBM, Arrow teams become experts in every aspect of the supplier's computing and enterprise solutions.

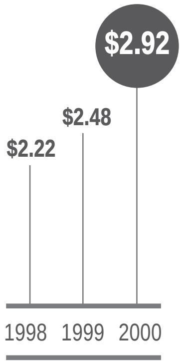
Arrow team members share their expertise with customers in conversations, technical seminars, and on the Internet. Each day, they work with resellers to analyze end-customer hardware and software requirements and to recommend technical and configuration solutions. Arrow system engineers provide technical drawings, operating system and hardware/software support, and work on-site with resellers and their customers during installations. Frequent technology seminars hosted by Arrow keep resellers informed of new solutions that leverage the computing capabilities of Arrow's suppliers. Arrow Webinars, web-based technical seminars, deliver on-line technical training programs to educate resellers and their customers. Our web sites provide on-going information about technical specifications, product promotions, industry trends, and emerging technologies.

At Arrow lab facilities, resellers can test and use a variety of systems to gain hands-on experience with the latest technology and applications. Resellers often bring their customers to Arrow facilities to test and to benchmark specific applications, providing the knowledge that end customers need to select the right enterprise solution for their business.

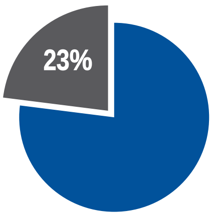
Arrow teams continue to share their knowledge from systems design and configuration through to installation. At Arrow integration centers, employees configure hardware, install software, and ship complete systems that are ready for installation, directly to the customer. Arrow teams often work on-site with the reseller and end customer to ensure a trouble-free systems installation.

The Internet has brought instant access to knowledge and information into our homes, schools, and offices. Arrow teams use their knowledge every day to help make that possible.

Arrow sales to Internet infrastructure providers, industrial OEMs, and mid-range computer resellers (In billions)



Share of Arrow 2000 Sales



At one customer, a team of Arrow MOCA employees, working with a reseller, completed the installation of a data center designed to provide on-line and telephone access to a broad range of financial services. In 48 hours, the center was fully operational, providing immediate support to customers.

Configuration work begins on a server network for a major Internet services provider.

Resellers listen as an Arrow technical team updates them about the newest enterprise software application.

For Arrow Americas Components, 2000 was a year of continued expansion and change. The acquisitions of Wyle Electronics in North America and Dicopel in Mexico expanded both the size of our customer base and our regional presence in growing markets. Favorable industry conditions, combined with our customer segmentation strategy and expanded design and supply chain management services, drove an almost 60 percent increase in sales year over year. Serving five countries with eight customer-focused businesses, Arrow Americas Components offers the broadest range of products and services tailored to distinct customer segments.

From 1998 when we realigned our organization around specific customer segments, to the 1999 launch of Arrow/Bell Components and Arrow/Richey Electronics, to the creation of the Arrow/Wyle Communications Group in 2000, we have aligned our organization around how customers want to buy rather than how we want to sell. Focusing on distinct segments has enabled us to offer tailored services and products that customers value and will pay for. Our profitable sales growth and increased market share in the aerospace and military markets, contract manufacturers, and OEMs of every size and location is a direct result of designing our service models around their particular requirements.

In 2000, our acquisition of Wyle Electronics created an opportunity for us to increase our focus on the networking and communications segment. With the constant changes in technology and the need to introduce new products to market quickly, these customers need technical experts to speed up their design cycle. Combining the best of our two companies–superior design and technical support from Wyle and best-in-class materials and supply chain management from Arrow–significantly strengthened our ability to assist our customers from concept design through to production.

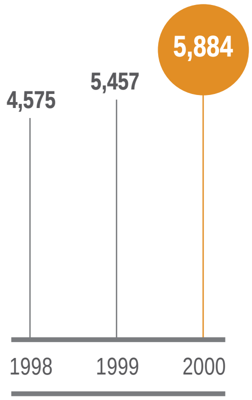
Throughout 2000 we continued to use technology to drive productivity and customer satisfaction. By year-end, purchasing professionals at more than 1,000 customer sites relied on our e-compass supply chain management service to forecast material needs, to pipeline inventory, and to plan and schedule product delivery. Registered users of arrow.com PRO-Series logged on to the Internet for self-service ordering and delivery tracking. Integrating Internet capabilities into our core business gives our customers more choices. They can research components, place orders, and perform other inventory functions on the Internet and still work with their Arrow sales and engineering team on complex engineering, purchasing, and manufacturing solutions.

Matching our model of service to the unique requirements of our customers generated organic growth in sales and profits for Arrow Americas Components. Delivery of innovative and distinct services and solutions for each customer segment will continue to be our strategy.

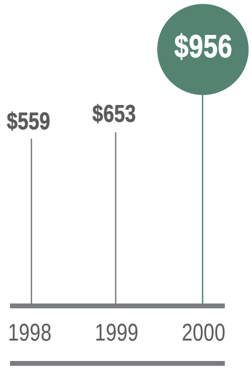
Jan M. Salsgiver
President, Arrow Americas Components

Sales
(In billions)

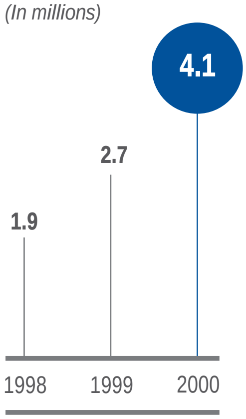
Employees



Productivity
(Sales per employee
in thousands)



Transactions Per Day
(In millions)



Arrow North American Computer Products (NACP) serves seven distinct customer segments with the broadest range of computer products and design, materials management, configuration, and integration services. Continuing its expansion in 2000, NACP completed the acquisitions of Wyle Systems, a division of the VEBA Electronics Group, and MOCA, formerly the open computing alliance of Merisel, Inc. These acquisitions strengthened Arrow's presence in two growing markets–OEMs who purchase computer products for industrial applications and value-added resellers who purchase servers, workstations, enterprise software, and configuration services. Strengthening our focus on these growing and profitable customer segments, while decreasing our dependence on the desktop PC and commodity peripherals markets, has been our strategy and the goal of our acquisitions for the past several years. In the short term, this is resulting in declining sales for the total business, although we are building sales and profits in our targeted customer segments.

Increasing use of computer products in original equipment manufacturing has been a growing trend in the industry. For many years, Arrow Electronics has had dedicated sales and marketing teams focused on serving OEMs and systems integrators who purchase computer products for industrial applications. Our acquisition of Wyle Systems created an opportunity to expand our OEM sales and marketing teams and to offer enhanced computer products design, materials management, and integration services to OEM customers across North America. The Arrow/Wyle Computer Products Group–the combination of Arrow's Industrial Computer Products Group with Wyle's Systems Division–opened for business with an expanded line card and services offering. Constant changes in technology and shorter computer product life cycles demand specialized expertise, and the Arrow/Wyle Computer Products Group offers more design, materials management, end-of-life, and manufacturing services than any other computer products distributor.

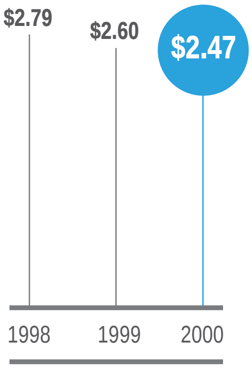
Servers, workstations, and storage products provide the critical infrastructure for the Internet and for business information management systems. Our strategy has been to acquire companies that concentrate on specific suppliers and applications in the mid-range computing market. The Wyle acquisition expanded Arrow's mid-range offering with the addition of the Technology Solutions Division, a team that delivers and supports high-end Compaq enterprise computing and storage solutions. Late in 2000, we also acquired MOCA, one of only three distributors authorized to sell Sun Microsystems products. MOCA delivers the full range of Sun enterprise solutions, including mid-range computers, servers, workstations, software, storage area networks, Solaris operating systems, and professional services.

MOCA and Wyle's Compaq team joined our mid-range computing line-up, which includes Support Net, Consan, and SBM. With our acquisitions and our organic growth, Arrow has become North America's largest distributor to the fast-growing mid-range computing market.

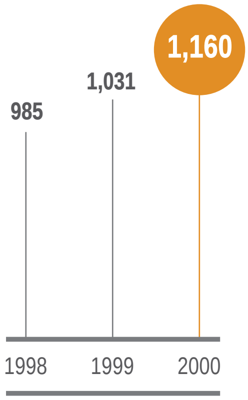
Arrow North American Computer Products has emerged as the leading specialist in computer products and services. From value-added resellers, to Internet services providers, to OEMs, Arrow's computer products teams deliver the latest technology information, design advice, and materials management and manufacturing support.

Michael J. Long
President, Arrow North American Computer Products

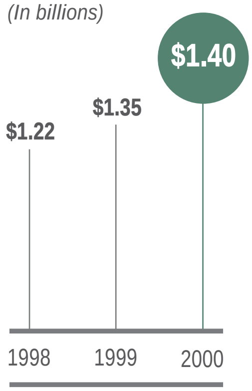
Sales — Total NACP
(In billions)



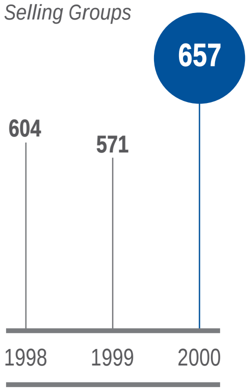
Employees — Total NACP



Sales to OEMs and Mid-Range Computer Resellers
(In billions)



Employees — OEM and Mid-Range Computing Selling Groups



ARROW europe

In Europe, Arrow Electronics continued to invest in local markets and to expand its presence in the region, with 76 locations serving 23 countries. Improved economic conditions in Europe resulted in strong demand for our products and services and an increase in sales of more than 45 percent. Our local presence and investments in each market, coupled with our unsurpassed line card and service offering, created opportunities for Arrow Electronics Europe to capitalize on an expanding economy and positive industry conditions.

The pace of the reinvigorated European economy facilitated the launch of several initiatives. To support increased customer demand, we opened our first Pan-European automated distribution facility in Venlo, the Netherlands. Expanding our global e-commerce capabilities, we began the roll-out of arrow.com PRO-Series to our customers in Central and Southern Europe. This resource has been favorably received, and we expect usage to accelerate rapidly.

Providing local sales and marketing support remains our strategy and our strength. Each day our more than 3,800 employees work to deliver products and services in accordance with local customs and practices. As a result, we have continued to build sales and share in the small- to mid-sized customer base. Our growth has also been fueled by the increased presence and expansion of large original equipment and contract manufacturers in Europe. While we had achieved significant share with these customers in each region, they increasingly demanded services and access to inventory across multiple geographies. In response, we launched the Arrow Europe Alliance Group to provide Pan-European logistics, materials management, and supply chain services to this customer segment.

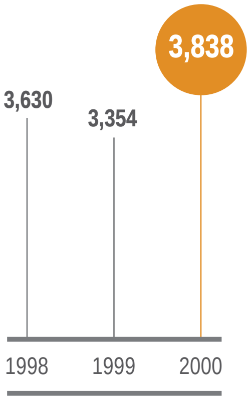
In 2000, our acquisitions extended our reach and increased our presence in critical markets. We began the year by acquiring a majority interest in Israel-based Rapac Electronics, a leading distributor in this thriving market. Tekelec, one of France's leading distributors of high-tech components and systems, joined the Arrow family in the spring. Our acquisition at the end of the second quarter of Norway's Jakob Hatteland Electronics, a leader in demand creation and design services, dramatically increased the scope and scale of our business in the rapidly growing Nordic region.

In January of 2000, we established a Pan-European organization to initiate and to coordinate strategies and activities across the region. As we respond to the increasing need for products and services across multiple locations in Europe, we will continue to build on the local strengths that have made us the first-choice distributor for European electronics manufacturers.

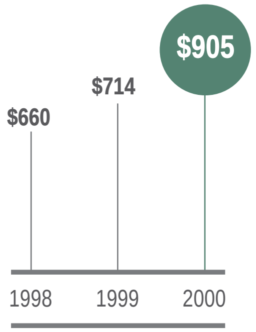
Art Baer
President, Arrow Electronics Europe

Sales
(In billions)

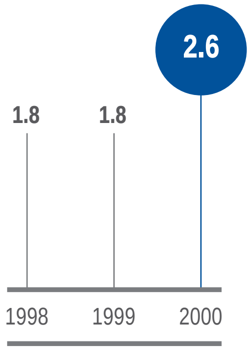
Employees



Productivity
(Sales per employee
in thousands)



Transactions Per Day
(In millions)



Carlo Giersch
Chairman, Arrow Electronics Europe

ARROW asia/pacific

Arrow's Asia/Pacific operations cover the Pacific Rim from China in the north to New Zealand in the south and from Korea in the east to India in the west. No other distributor–global or local–offers a network as broad. Together, this network of businesses produced sales in 2000 of $1.4 billion, an 84 percent increase from the previous year.

The explosive growth of manufacturing in China, Korea, and Taiwan, coupled with the migration of global original equipment and contract manufacturers to the region, led to increased demand and significant sales growth for Arrow. Our investments in our regional organization, warehousing and logistics, and management information systems gave Arrow a distinct advantage in responding to the ever-changing and expanding needs of these customers.

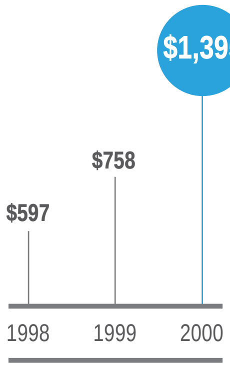
Throughout 2000 we continued to make significant investments in our business–in computer systems and value-added services training, Internet capability, warehouses, and sales operations. Consolidation of systems and a conversion to one MIS system across the region created the infrastructure needed to support our growth. Arrow Asia/Pacific sales and marketing teams now have instant access to information from customers, suppliers, and other Arrow operations around the world. This combination of training, systems and regional support, and the growth in sales in the region caused a significant increase in productivity, with sales per employee nearly doubling year over year.

Responding to the increased demand for products, we expanded our warehouse space in 2000 by 60 percent, adding more than 65,000 square feet. With more than $240 million in inventory in six strategically located distribution centers, we can now provide more sophisticated inventory bonding and materials management support. Also in 2000, increased demand for programmable logic devices led to our construction of a new, state-of-the-art programming center in Malaysia. Arrow leads the globe in programming components–both in terms of sales and units–and this facility will enable us to provide this valuable service on an even greater scale.

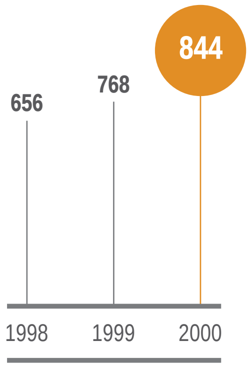
The power of Arrow systems, logistics, and people, combined with our local presence in each market, have made us the number one electronic components distributor in the region. Each day, our more than 800 employees in 37 locations across the region bring the best of this combination to thousands of customers.

John Tam
President, Arrow Asia/Pacific

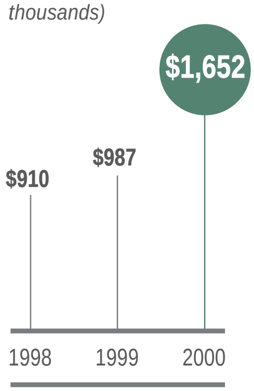
Sales
(In millions)



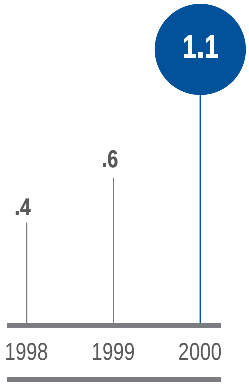
Employees



Productivity
(Sales per employee in thousands)



Transactions Per Day
(In millions)



Steven W. Menefee
President, Arrow Electronics Asia

Creating more value and ease of doing business for our customers has been the driving force behind our e-commerce programs and services. At 10:00 p.m. an engineer can research technical specs, find the right part number, and order five pieces for her prototype through arrow.com. An engineering manager can predict the future availability of components through a simple query on our Component Risk Assessment system. A materials planner can create a forecast and pipeline product in the very early stages of production using Arrow e-compass. An Arrow sales professional can work on the components most difficult to obtain from that same forecast while the rest of the order is automatically scheduled for delivery. All of this is made possible by our full complement of Internet capabilities and e-commerce services.

Throughout 2000 we used our information technology and systems to give customers more immediate access to our vast database of technology information, instant pricing, product availability, and real-time order and delivery tracking. Enriching the content of arrow.com and PRO-Series, we made several improvements in services to make it easier for customers to work on-line with Arrow, including on-line invoicing, enhanced credit card ordering, and expanded on-line access to customer-specific pricing. In 2000, more than 120,000 registered users logged on to arrow.com PRO-Series to check inventory, pricing, and to place orders.

We expanded the instant access to our technology knowledge with the addition of approximately 800,000 data sheets to PRO-Series. Now through one location, engineers can access all available design and technical information about a component–press releases, news articles, white papers, data sheets, application notes–making it possible for them to make informed design decisions. In a recent survey of North American design engineers by *Electronic Engineering Times*, arrow.com was selected as their favorite web site and the first web site they log on to for technical and design information.

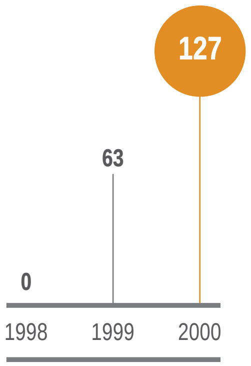
In 1979, Arrow pioneered the use of electronic data interchange (EDI) with its first system-to-system connection to a customer. In 2000, as a leading participant in RosettaNet, the industry consortium dedicated to developing standards for on-line and Internet transactions, Arrow was the first component distributor to begin transacting business using RosettaNet standards. Arrow and Intel made history on February 2, 2000, with the first live RosettaNet order. In Arrow Americas Components, more than one third of our sales in 2000 were transacted on the Arrow e-compass system. For the year, total revenue from all of Arrow's worldwide e-commerce services approached the $2 billion mark.

Our e-commerce capabilities are designed to deliver more services with greater efficiency to our customers. Whether the customer wants to conduct business on-line or with an Arrow employee in person, Arrow's e-commerce programs create more choices for our customers. Each enhancement makes it possible for our sales and marketing professionals to spend more time solving design challenges, implementing materials management solutions, and creating value-added programs that drive speed and efficiency in manufacturing.

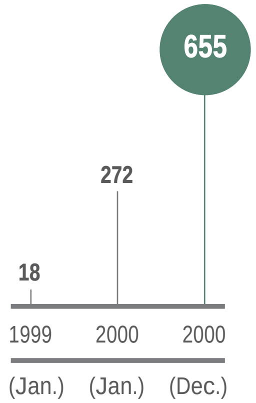
Thomas F. Hallam
President, Arrow Internet Business Group

E-commerce Revenue (In billions)

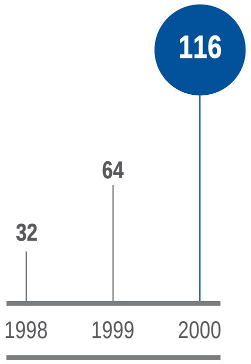
Registered arrow.com and PRO-Series Users (In thousands)



Stock Searches Per Month (In thousands)



Employees dedicated to the development of e-commerce tools



selected financial data

(In thousands except per share data)

For the year	**2000**	1999[a]	1998	1997[b]	1996
Sales	**$12,959,250**	$9,312,625	$8,344,659	$7,763,945	$6,534,577
Operating income	**784,107**	338,661	352,504	374,721	400,627
Net income	**357,931**	124,153	145,828	163,656	202,709
Per common share[c]					
Basic	**$3.70**	$1.31	$1.53	$1.67	$2.01
Diluted	**3.62**	1.29	1.50	1.64	1.98
At year-end					
Accounts receivable and inventories	**$5,608,256**	$3,083,583	$2,675,612	$2,475,407	$1,947,719
Total assets	**7,604,541**	4,483,255	3,839,871	3,537,873	2,710,351
Long-term debt	**3,027,671**	1,533,421	1,047,041	829,827	352,576
Shareholders' equity	**1,913,748**	1,550,529	1,487,319	1,360,758	1,358,482

(a) Operating and net income include a special charge of $24.6 million and $16.5 million after taxes, respectively, associated with the acquisition and integration of Richey Electronics, Inc. and the electronics distribution group of Bell Industries, Inc. Excluding this charge, operating income, net income, and earnings per share on a basic and diluted basis were $363.2 million, $140.6 million, $1.48, and $1.46, respectively.

(b) Operating and net income include special charges totaling $59.5 million and $40.4 million after taxes, respectively, associated with the realignment of Arrow's North American Components Operations (NACO) and the acquisition and integration of the volume electronic component distribution businesses of Premier Farnell plc. Excluding these charges, operating income, net income, and earnings per share on a basic and diluted basis were $434.2 million, $204.1 million, $2.08, and $2.05, respectively.

(c) Per share amounts in 1996 have been restated to reflect the two-for-one stock split effective October 15, 1997.

For an understanding of the significant factors that influenced the company's performance during the past three years, the following discussion should be read in conjunction with the consolidated financial statements and other information appearing elsewhere in this annual report.

Sales

Consolidated sales of $13 billion in 2000 were 39 percent higher than 1999 sales of $9.3 billion. This sales increase was driven by a 61 percent growth in the sales of core components and acquisitions offset, in part, by foreign exchange rate differences, fewer sales of low margin microprocessors (a product segment not considered a part of the company's core business), and market conditions for computer products. Excluding the impact of acquisitions, foreign exchange rate differences, and lower microprocessor sales, sales increased by 34 percent over the prior year.

In 1999, consolidated sales increased to $9.3 billion. This 12 percent sales growth over 1998 was principally due to growth in the worldwide core components operations and acquisitions offset, in part, by fewer sales of low margin microprocessors and foreign exchange rate differences. Excluding the impact of acquisitions, foreign exchange rate differences, and lower microprocessor sales, consolidated revenue increased by 8 percent over the prior year and sales of core components increased by 10 percent. Sales of commercial computer products increased marginally over 1998's level due principally to softening demand and lower average selling prices, offset by increasing unit shipments, as a result of market conditions.

Consolidated sales of $8.3 billion in 1998 were 7 percent higher than 1997 sales of $7.8 billion. This sales growth was due to an approximate $700 million increase in sales of commercial computer products. The worldwide market for electronic components continued to be characterized by product availability well in excess of demand and resultant pressure on average selling prices and gross profit margins resulting in a decline in sales.

Operating Income

Operating income increased to $784.1 million in 2000, compared to $363.2 million in 1999, excluding the integration charge of $24.6 million associated with the acquisition and integration of Richey Electronics, Inc. ("Richey") and the electronics distribution group of Bell Industries, Inc. ("EDG"). This increase in operating income was a result of increased sales in the core components businesses around the world and increased gross profit margins, as well as the full year impact of cost savings resulting from the integration of Richey and EDG offset, in part, by lower sales of computer products and increased spending in the company's Internet business. Operating expenses as a percentage of sales were 9.6 percent, the lowest in the company's history.

In 1999, the company's consolidated operating income decreased to $338.7 million from $352.5 million in 1998, principally as a result of the special charge of $24.6 million. Excluding this integration charge, operating income was $363.2 million. Operating income, excluding the integration charge, increased as a result of higher sales, improved gross profit margins in the core components operations in the latter part of 1999, and improved operating efficiencies resulting from the integration of Richey and EDG into the company offset, in part, by lower gross profit margins in the computer products operations, increased non-cash amortization expense associated with goodwill, investments made in systems, including the Internet, and personnel to support anticipated increases in business activities.

The company's consolidated operating income decreased to $352.5 million in 1998, compared with operating income of $374.7 million in 1997, including special charges of $59.5 million. Excluding the special charges, operating income in 1997 was $434.2 million. The reduction in operating income reflected a decline in the sales of the components business in North America, a further decline in gross margins due to proportionately higher sales of lower margin commercial computer products, and competitive pricing pressures throughout the world offset, in part, by the impact of increased sales and the benefits of continuing economies of scale. Operating expenses as a percent of sales remained consistent with 1997 at 9.7 percent.

Interest Expense

Interest expense of $171.3 million in 2000 increased by $65 million from 1999 as a result of increases in borrowings to fund the company's acquisitions, working capital requirements, capital expenditures, and investments in Internet joint ventures.

In 1999, interest expense increased to $106.3 million from $81.1 million in 1998, reflecting both increases in borrowings to fund acquisitions and investments in working capital.

Interest expense of $81.1 million in 1998 increased by $14 million from the 1997 level, reflecting increases in borrowings associated with acquisitions and investments in working capital.

Income Taxes

The company recorded a provision for taxes at an effective tax rate of 40.7 percent in 2000 compared with 43 percent, excluding the integration charge, in 1999. The lower rate for 2000 is due to the company's significantly increased operating income, which lowered the negative effect of non-deductible goodwill amortization on the company's effective tax rate.

In 1999, the company recorded a provision for taxes at an effective tax rate of 43 percent, excluding the integration charge, compared with 42.2 percent in 1998. The increased rate for 1999 is due to the non-deductibility of goodwill amortization.

The company recorded a provision for taxes at an effective tax rate of 42.2 percent in 1998 compared with 41 percent, excluding the special charges, in 1997. The higher effective rate in 1998 is due to the non-deductibility of goodwill amortization.

Net Income

Net income in 2000 was $357.9 million, an increase from $124.2 million in 1999 ($140.6 million excluding the integration charge). The increase in net income is a result of increased sales, improved gross profit margins, and continued expense control offset, in part, by higher levels of interest expense.

In 1999, the company's net income decreased to $124.2 million from $145.8 million in 1998. Excluding the integration charge, net income was $140.6 million. The decrease in net income, excluding the integration charge, was primarily attributable to an increase in operating income and a decrease in minority interest, offset by an increase in interest expense.

Net income in 1998 was $145.8 million, a decrease from $204.1 million, before the special charges of $59.5 million ($40.4 million after taxes), in 1997. The decrease in net income was attributable to lower operating income and an increase in interest expense.

Liquidity and Capital Resources

The company maintains a significant investment in accounts receivable and inventories. Consolidated current assets, as a percentage of total assets, were approximately 76 percent and 70 percent in 2000 and 1999, respectively.

In 2000, working capital increased by 74 percent, or $1.36 billion, compared with 1999. Excluding the impact of acquisitions, working capital increased by 28 percent, or $508 million, due to increased sales and higher working capital requirements.

The net amount of cash used for operating activities in 2000 was $336.4 million, principally resulting from increased accounts receivable and inventories offset, in part, by increased payables and earnings for the year. The net amount of cash used for investing activities was $1.4 billion, including $1.2 billion primarily for the acquisitions of Wyle Electronics and Wyle Systems (collectively, "Wyle"), the open computing alliance subsidiary of Merisel, Inc. ("MOCA"), Jakob Hatteland Electronic AS ("Hatteland"), and Tekelec Europe ("Tekelec"), and $80.2 million for various capital expenditures. The net amount of cash provided by financing activities was $1.7 billion, primarily reflecting the issuance of senior debentures, borrowings under the company's commercial paper program, and various short-term borrowings.

In February 2001, the company entered into a 364-day $625 million credit facility which expires in February 2002 and a three-year revolving credit agreement providing up to $625 million of available credit. These credit facilities replaced the previously existing 364-day credit facility and the global multi-currency credit facility.

In addition, during the first quarter of 2001 the company completed the sale of $1.5 billion principal amount at maturity of zero coupon convertible senior debentures (the "convertible debentures") due February 21, 2021. The convertible debentures were priced with a yield to maturity of 4% per annum and may be converted into the company's common stock at a conversion price of $37.83 per share. The company may redeem all or part of the convertible debentures at any time on or after February 21, 2006. Holders of the convertible debentures may require the company to repurchase the debentures on February 21, 2006, 2011, or 2016. The net proceeds resulting from this transaction of approximately $672 million were used to repay short-term debt.

Working capital increased by $138 million, or 8 percent, in 1999 compared with 1998. This increase was due to increased sales, higher working capital requirements, and acquisitions.

The net amount of cash used for the company's operating activities in 1999 was $33.5 million, principally reflecting increased customer receivables due to accelerated sales growth in the fourth quarter offset, in part, by earnings for the year. The net amount of cash used for investing activities was $543.3 million, including $459.1 million for the acquisitions of Richey, EDG, Industrade AG, interests in the Elko Group and Panamericana Comercial Importadora, S.A., the remaining interests in Spoerle Electronic and Support Net, Inc., and an additional interest in Scientific and Business Minicomputers, Inc. ("SBM"), as well as certain Internet-related investments, and $84.2 million for various capital expenditures. The net amount of cash provided by financing activities was $479.1 million, reflecting borrowings under the company's commercial paper program, the issuance of the company's floating rate notes, and credit facilities offset, in part, by the repayment of Richey's 7% convertible subordinated notes and debentures, 8.29% senior debentures, and distributions to partners.

In 1998, working capital increased by 18 percent, or $262 million, compared with 1997. This increase was due to higher working capital requirements and acquisitions.

The net amount of cash provided by operations in 1998 was $43.6 million, the principal element of which was the cash flow resulting from net earnings offset, in part, by working capital usage. The net amount of cash used by the company for investing purposes was $129.6 million, including $70.6 million for various acquisitions. Cash flows provided by financing activities were $131.4 million, principally reflecting the $445.7 million of proceeds from the issuance of the company's 6 7/8% senior debentures and 6.45% senior notes offset, in part, by the reduction in the company's credit facilities, purchases of common stock, and distributions to partners.

Information Relating to Forward-Looking Statements

This report includes forward-looking statements that are subject to certain risks and uncertainties which could cause actual results or facts to differ materially from such statements for a variety of reasons, including, but not limited to: industry conditions, changes in product supply, pricing and customer demand, competition, other vagaries in the electronic components and commercial computer products markets, and changes in relationships with key suppliers. Shareholders and other readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. The company undertakes no obligation to update publicly or revise any forward-looking statements.

Market and Other Risks

The company is exposed to market risk from changes in foreign currency exchange rates and interest rates.

The company, as a large international organization, faces exposure to adverse movements in foreign currency exchange rates. These exposures may change over time as business practices evolve and could have a material impact on the company's financial results in the future. The company's primary exposure relates to transactions in which the currency collected from customers is different from the currency utilized to purchase the product sold in Europe, the Asia/Pacific region, and Latin and South America. At the present time, the company hedges only those currency exposures for which natural hedges do not exist. Anticipated foreign currency cash flows and earnings and investments in businesses in Europe, the Asia/Pacific region, and Latin and South America are not hedged as in many instances there are natural offsetting positions. The translation of the financial statements of the non-North American operations is impacted by fluctuations in foreign currency exchange rates. Had the various average foreign currency exchange rates remained the same during 2000 as compared with 1999, 2000 sales and operating income would have been $466 million and $44 million higher, respectively, than the actual results for 2000.

The company's interest expense, in part, is sensitive to the general level of interest rates in the Americas, Europe, and the Asia/Pacific region. The company manages its exposure to interest rate risk through the proportion of fixed rate and variable rate debt in its total debt portfolio. At December 31, 2000, approximately 48 percent of the company's debt was subject to fixed rates and 52 percent of its debt was subject to variable rates. Interest expense would fluctuate by approximately $12 million if average interest rates had changed by one percentage point in 2000. This amount was determined by considering the impact of a hypothetical interest rate on the company's borrowing cost. This analysis does not consider the effect of the level of overall economic activity that could exist in such an environment. Further, in the event of a change of such magnitude, management could likely take actions to further mitigate any potential negative exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, the sensitivity analysis assumes no changes in the company's financial structure.

consolidated statement of income

(In thousands except per share data)

Years Ended December 31,	**2000**	1999	1998
Sales	**$12,959,250**	$9,312,625	$8,344,659
Costs and expenses			
Cost of products sold	**10,925,309**	8,011,419	7,183,413
Selling, general, and administrative expenses	**1,159,583**	866,861	756,770
Depreciation and amortization	**90,251**	71,124	51,972
Integration charge		24,560	
	12,175,143	8,973,964	7,992,155
Operating income	**784,107**	338,661	352,504
Equity in earnings (losses) of affiliated companies	**(2,640)**	(1,107)	937
Interest expense, net	**171,336**	106,349	81,126
Earnings before income taxes and minority interest	**610,131**	231,205	272,315
Provision for income taxes	**248,195**	101,788	115,018
Earnings before minority interest	**361,936**	129,417	157,297
Minority interest	**4,005**	5,264	11,469
Net income	**$ 357,931**	$ 124,153	$ 145,828
Per common share			
Basic	**$3.70**	$1.31	$1.53
Diluted	**3.62**	1.29	1.50
Average number of common shares outstanding			
Basic	**96,707**	95,123	95,397
Diluted	**98,833**	96,045	97,113

See accompanying notes.

consolidated balance sheet

(Dollars in thousands)

December 31,	2000	1999
Assets		
Current assets		
Cash and short-term investments	**$ 55,546**	$ 44,885
Accounts receivable, less allowance for doubtful accounts ($108,142 in 2000 and $32,338 in 1999)	**2,635,595**	1,638,654
Inventories	**2,972,661**	1,444,929
Prepaid expenses and other assets	**100,408**	29,469
Total current assets	**5,764,210**	3,157,937
Property, plant and equipment at cost		
Land	**40,892**	17,638
Buildings and improvements	**167,194**	114,158
Machinery and equipment	**319,305**	257,841
	527,391	389,637
Less accumulated depreciation and amortization	**(210,932)**	(165,987)
	316,459	223,650
Investments in affiliated companies	**35,885**	52,233
Cost in excess of net assets of companies acquired, less accumulated amortization ($145,014 in 2000 and $113,762 in 1999)	**1,237,099**	960,770
Other assets	**250,888**	88,665
	$7,604,541	$4,483,255
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	**$1,567,631**	$ 805,468
Accrued expenses	**473,984**	263,216
Short-term borrowings, including current maturities of long-term debt	**529,261**	255,977
Total current liabilities	**2,570,876**	1,324,661
Long-term debt	**3,027,671**	1,533,421
Other liabilities	**92,246**	74,644
Shareholders' equity		
Common stock, par value $1		
Authorized–160,000,000 and 120,000,000 shares in 2000 and 1999, respectively		
Issued–103,816,792 and 102,949,640 shares in 2000 and 1999, respectively	**103,817**	102,950
Capital in excess of par value	**529,376**	501,379
Retained earnings	**1,596,910**	1,238,979
Foreign currency translation adjustment	**(160,914)**	(95,295)
	2,069,189	1,748,013
Less: Treasury stock (5,405,918 and 7,004,349 shares in 2000 and 1999, respectively), at cost	**(144,569)**	(187,269)
Unamortized employee stock awards	**(10,872)**	(10,215)
Total shareholders' equity	**1,913,748**	1,550,529
	$7,604,541	$4,483,255

See accompanying notes.

consolidated statement of cash flows

(In thousands)

Years Ended December 31,	**2000**	1999	1998
Cash flows from operating activities			
Net income	**$ 357,931**	$124,153	$145,828
Adjustments to reconcile net income to net cash provided by (used for) operations			
Minority interest in earnings	**4,005**	5,264	11,469
Depreciation and amortization	**99,478**	78,635	55,101
Equity in (earnings) losses of affiliated companies	**2,640**	1,107	(937)
Deferred income taxes	**(30,348)**	(11,318)	19,661
Integration charge		24,560	
Change in assets and liabilities, net of effects of acquired businesses			
Accounts receivable	**(326,371)**	(242,370)	(38,792)
Inventories	**(958,622)**	(15,568)	(33,490)
Prepaid expenses and other assets	**(43,168)**	(236)	10,785
Accounts payable	**490,009**	(8,735)	(17,049)
Accrued expenses	**107,064**	20,412	(88,808)
Other	**(39,065)**	(9,395)	(20,164)
Net cash provided by (used for) operating activities	**(336,447)**	(33,491)	43,604
Cash flows from investing activities			
Acquisition of property, plant and equipment	**(80,164)**	(84,249)	(59,006)
Cash consideration paid for acquired businesses	**(1,221,261)**	(428,969)	(67,521)
Issuance of note receivable	**(50,000)**		
Investments in affiliates	**(36,182)**	(30,127)	(3,078)
Net cash used for investing activities	**(1,387,607)**	(543,345)	(129,605)
Cash flows from financing activities			
Change in short-term borrowings	**1,263,561**	90,804	(4,850)
Change in credit facilities	**(421,081)**	224,683	(223,127)
Proceeds from long-term debt	**868,923**	298,103	445,665
Repayment of long-term debt		(97,833)	(25,411)
Proceeds from exercise of stock options	**27,989**	1,282	7,504
Distributions to minority partners		(37,852)	(18,227)
Purchases of common stock	**(321)**	(100)	(50,129)
Net cash provided by financing activities	**1,739,071**	479,087	131,425
Effect of exchange rate changes on cash	**(4,356)**	(16,290)	(3,964)
Net increase (decrease) in cash and short-term investments	**10,661**	(114,039)	41,460
Cash and short-term investments at beginning of year	**44,885**	158,924	112,665
Cash and short-term investments of acquired affiliate			4,799
Cash and short-term investments at end of year	**$ 55,546**	$ 44,885	$158,924
Supplemental disclosures of cash flow information			
Cash paid during the year for			
Income taxes	**$ 138,686**	$ 47,145	$ 88,718
Interest	**148,076**	105,239	81,500

See accompanying notes.

consolidated statement of shareholders' equity

(In thousands)

	Common Stock at Par Value	Capital in Excess of Par Value	Retained Earnings	Foreign Currency Translation Adjustment	Treasury Stock	Unamortized Employee Stock Awards and Other	Total
Balance at December 31, 1997	$102,950	$506,656	$ 968,998	(35,881)	$(164,207)	$(17,758)	$1,360,758
Net income			145,828				145,828
Translation adjustments				12,233			12,233
Comprehensive income							158,061
Exercise of stock options		(2,777)			10,281		7,504
Tax benefits related to exercise of stock options		1,619					1,619
Restricted stock awards, net		503			5,766	(6,269)	
Amortization of employee stock awards						9,497	9,497
Purchases of common stock					(50,129)		(50,129)
Other		1			8		9
Balance at December 31, 1998	102,950	506,002	1,114,826	(23,648)	(198,281)	(14,530)	1,487,319
Net income			124,153				124,153
Translation adjustments				(71,647)			(71,647)
Comprehensive income							52,506
Exercise of stock options		(1,259)			2,541		1,282
Tax benefits related to exercise of stock options		189					189
Restricted stock awards, net		(3,921)			8,571	(4,650)	
Amortization of employee stock awards						8,965	8,965
Other		368			(100)		268
Balance at December 31, 1999	102,950	501,379	1,238,979	(95,295)	(187,269)	(10,215)	1,550,529
Net income			357,931				357,931
Translation adjustments				(65,619)			(65,619)
Comprehensive income							292,312
Exercise of stock options		(7,387)			35,376		27,989
Tax benefits related to exercise of stock options		7,212					7,212
Restricted stock awards, net	17	(743)			7,645	(6,919)	
Amortization of employee stock awards						6,262	6,262
Issuance of common stock	850	28,836					29,686
Other		79			(321)		(242)
Balance at December 31, 2000	**$103,817**	**$529,376**	**$1,596,910**	**$(160,914)**	**$(144,569)**	**$(10,872)**	**$1,913,748**

See accompanying notes.

1 Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the company and its majority-owned subsidiaries. All significant intercompany transactions are eliminated.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Short-term Investments

Short-term investments which have a maturity of ninety days or less at time of purchase are considered cash equivalents in the consolidated statement of cash flows. The carrying amount reported in the consolidated balance sheet for short-term investments approximates fair value.

Financial Instruments

The company uses various financial instruments, including derivative financial instruments, for purposes other than trading. The company does not use derivative financial instruments for speculative purposes. Derivatives used as part of the company's risk management strategy are designated at inception as hedges and measured for effectiveness both at inception and on an ongoing basis.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined on the first-in, first-out (FIFO) method.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is computed on the straight-line method for financial reporting purposes and on accelerated methods for tax reporting purposes. Leasehold improvements are amortized over the shorter of the term of the related lease or the life of the improvement. Long-lived assets are reviewed for impairment whenever changes in circumstances or events may indicate that the carrying amounts may not be recoverable. If the fair value is less than the carrying amount of the asset, a loss is recognized for the difference.

Cost in Excess of Net Assets of Companies Acquired

The cost in excess of net assets of companies acquired is being amortized on a straight-line basis over periods of 20 to 40 years. Management reassesses the carrying value and remaining life of the excess cost over fair value of net assets of companies acquired on an ongoing basis. Whenever events indicate that the carrying values are impaired, the excess cost over fair value of those assets is adjusted appropriately. As of December 31, 2000, management believes there is no impairment with respect to these assets.

Foreign Currency Translation

The assets and liabilities of foreign operations are translated at the exchange rates in effect at the balance sheet date, with the related translation gains or losses reported as a separate component of shareholders' equity. The results of foreign operations are translated at the monthly weighted average exchange rates.

Income Taxes

Income taxes are accounted for under the liability method. Deferred taxes reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting amounts.

Earnings Per Share ("EPS")

Basic EPS is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted into common stock.

Comprehensive Income

Comprehensive income is defined as the aggregate change in shareholders' equity excluding changes in ownership interests. The foreign currency translation adjustments included in comprehensive income have not been tax effected as investments in foreign affiliates are deemed to be permanent.

Segment Reporting

Operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision makers in deciding how to allocate resources and in assessing performance. The company's operations are classified into two reportable business segments, the distribution of electronic components and the distribution of computer products.

Revenue Recognition

The company recognizes revenue when customers' orders are shipped.

Software Development Costs

The company capitalizes certain costs incurred in connection with developing or obtaining software for internal use. The company capitalized $21,945,000 and $23,933,000 of computer software costs in 2000 and 1999, respectively. Capitalized software costs are amortized on a straight-line basis over the estimated useful life of the software, which is generally three years.

Reclassification

Certain prior year amounts have been reclassified to conform with current year presentation.

Impact of Recently Issued Accounting Standards

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." As its effective date was deferred, the company will adopt the new Statement as of January 1, 2001. The Statement will require the company to recognize all derivatives on the balance sheet at fair value. Gains and losses resulting from changes in the value of the derivatives would be accounted for depending on the intended use of the derivative and whether it qualifies for hedge accounting. Due to the company's limited use of derivative financial instruments, adoption of Statement No. 133 is not expected to have a significant effect on the company's consolidated results of operations or financial position.

2 Acquisitions

During 2000, the company acquired California-based Wyle Electronics and Wyle Systems (collectively, "Wyle"), part of the electronics distribution businesses of Germany-based E.ON AG (formerly VEBA AG), and the open computing alliance subsidiary of Merisel, Inc. ("MOCA"), one of the leading distributors of Sun Microsystems products in North America. In addition, the company acquired Tekelec Europe ("Tekelec"), one of Europe's leading distributors of high-tech components and systems, and Jakob Hatteland Electronic AS ("Hatteland"), one of the Nordic region's leading distributors of electronic components. The company also acquired a majority interest in the electronics distribution business of Rapac Electronics Ltd., one of the leading electronics distribution groups in Israel, and Dicopel S.A. de C.V., one of the largest electronics distributors in Mexico. The company increased its holdings in both Silverstar Ltd. S.p.A. and Consan Incorporated to 100 percent, and acquired an additional 6 percent interest in Scientific and Business Minicomputers, Inc. ("SBM"). The aggregate cost of these acquisitions was $1,249,015,000, which includes 775,000 shares of the company's common stock valued at $27,754,000.

A summary of the allocation of the aggregate consideration paid for the aforementioned acquisitions, excluding amounts paid for increases in majority holdings, to the fair market value of assets acquired and liabilities assumed is as follows:

(In thousands)		
Current assets		
Accounts receivable, net of allowance for doubtful accounts of $55,192	$697,847	
Inventories	595,282	
Other	32,389	$1,325,518
Property, plant and equipment		101,812
Cost in excess of net assets of companies acquired		348,764
Other assets		25,238
		$1,801,332
Current liabilities		
Accounts payable	$306,831	
Accrued expenses	164,883	$ 471,714
Long-term debt		65,522
Other		27,876
		$ 565,112
Net consideration paid		$1,236,220

Set forth below is the unaudited pro forma combined summary of operations for the years ended December 31, 2000 and 1999 as though the acquisitions made during 2000 and 1999 occurred on January 1, 1999:

(In thousands except per share data)	**2000**	1999(a)
Sales	**$15,943,194**	$12,638,457
Operating income	**907,923**	402,174
Earnings before income taxes and minority interest	**655,392**	189,987
Net income	**385,418**	93,590
Per common share		
Basic	**$3.97**	$.98
Diluted	**3.89**	.97
Average number of common shares outstanding		
Basic	**97,058**	95,898
Diluted	**99,184**	96,820

(a) Excluding the charge associated with the acquisition and integration of Richey Electronics, Inc. ("Richey") and the electronics distribution group of Bell Industries, Inc. ("EDG"), pro forma operating income, income before income taxes and minority interest, net income, and earnings per share on a basic and diluted basis would have been $426,700,000, $214,500,000, $110,100,000, $1.15, and $1.14, respectively.

The unaudited pro forma combined summary of operations does not purport to be indicative of the results which actually would have been obtained if the acquisitions had been made at the beginning of 1999 or of those results which may be obtained in the future. The company has achieved cost savings from the acquisition of Richey and EDG and expects to achieve further substantial cost savings from the combination of its acquisitions. The anticipated cost savings have not been reflected in the unaudited pro forma combined summary of operations. In addition, the unaudited pro forma combined summary does not reflect any sales attrition which may result from the combinations.

The unaudited pro forma combined summary of operations includes the effects of the additional interest expense on debt incurred in connection with the acquisitions as if the debt had been outstanding from the beginning of the periods presented. In addition, the summary of operations includes amortization of the cost in excess of net assets of companies acquired in connection with the acquisitions as if they had been acquired from the beginning of the periods presented.

In 2000, the company recorded $31,354,000 as cost in excess of net assets of companies acquired to integrate Wyle into the company. Of the amount recorded, $9,770,000 represented costs associated with the closing of various office facilities and distribution and value-added centers, $7,390,000 represented costs associated with severance and other personnel costs, $7,890,000 represented professional fees principally related to investment banking and legal and accounting services, and $6,304,000 represented costs associated with outside services related to the conversion of systems and certain other costs of the integration of Wyle into the company. Of the total amount recorded, $9,109,000 has been spent to date. Approximately $6,900,000 of the remaining amount relates to severance and other personnel costs to be paid in 2001, $9,500,000 relates to vacated facilities leased with expiration dates through 2005, and the balance relates to various license and maintenance agreement obligations, with various expiration dates through 2003, and other costs associated with the integration of Wyle into the company. In the first quarter of 2001, the company expects to record a special charge of not more than $10,000,000 before taxes related to the integration of Wyle into the company.

In connection with certain acquisitions, the company may be required to make additional payments that are contingent upon the acquired businesses achieving certain operating goals. During 2000, the company made additional payments of $2,365,000, which have been capitalized as cost in excess of net assets of companies acquired.

During 1999, the company acquired Richey, a leading specialty distributor of interconnect, electro-mechanical, and passive electronic components and provider of related value-added services to customers throughout North America, and EDG, one of the ten largest distributors of electronic components in North America. In addition, during 1999 the company acquired a two-thirds interest in Panamericana Comercial Importadora, S.A., the largest distributor of electronic components in Brazil, and a 70 percent interest in the Elko Group, the largest distributor of electronic components in Argentina. The company also increased its holdings in Spoerle Electronic Handelsgesellschaft mbH (“Spoerle”) and Support Net, Inc. to 100 percent and acquired an additional 4 percent interest in SBM. Also during 1999, Spoerle acquired Industrade AG, one of Switzerland’s leading distributors of electronic components and related products. The aggregate cost of these acquisitions was $428,969,000.

In 1999, the company recorded a special charge of $24,560,000 related to the acquisition and integration of Richey and EDG. The company also recorded an additional $38,241,000, as adjusted, as cost in excess of net assets of companies acquired. Of the total amount recorded, $30,301,000 represented costs associated with the closing of various office facilities and distribution and value-added centers, $12,442,000 represented costs associated with severance and other personnel costs, $14,662,000 represented costs associated with outside resources related to the conversion of systems, professional fees principally related to legal and accounting services, and certain other costs of the integration of these businesses into the company, and $5,396,000 represented the write-down of inventories to estimated fair value and supplier termination costs. Of the expected $54,700,000 to be spent in cash in connection with the acquisition and integration of Richey and EDG, $33,090,000 has been spent to date. The remaining $21,610,000 principally relates to vacated facilities leased with various expiration dates through 2010.

It is not anticipated that the integration-related items will have a significant impact upon cash flow in any one particular year.

The cost of each acquisition has been allocated among the net assets acquired on the basis of the respective fair values of the assets acquired and liabilities assumed. The preliminary purchase price allocations for the 2000 acquisitions are subject to adjustment in 2001 when finalized. For financial reporting purposes, the acquisitions are accounted for as purchase transactions in accordance with Accounting Principles Board Opinion No. 16, “Business Combinations.” Accordingly, the consolidated results of the company in 2000 include these companies from their respective dates of acquisition. The aggregate consideration paid for all acquisitions exceeded the net assets acquired by $356,488,000 and $303,326,000 in 2000 and 1999, respectively.

3 Investments

During 2000, the company entered into three new e-commerce ventures. At December 31, 2000, the company held an interest in eConnections, which serves suppliers, distributors, OEMs, and other members of the electronics supply chain continuum by providing them with integrated, independent, and custom-tailored solutions, improving communications, cutting costs, and enhancing margins. In addition, the company acquired an interest in Viacore, Inc., an eBusiness service provider of a reliable and transparent eBusiness hub for business processes between trading partners in the information technology supply chain, and an interest in Buckaroo.com, an Internet marketplace for the DRAM industry. These investments are accounted for using the cost method.

In October 2000, QuestLink Technology, Inc. and ChipCenter LLC, two e-commerce companies the company had previously invested in, agreed to be merged to form eChips, a sales and marketing channel that serves the global electronics engineering and purchasing communities. This investment is accounted for using the equity method.

During 1999, the company acquired an interest in VCE Virtual Chip Exchange, Inc. ("VCE"), an Internet marketplace for electronic components. VCE matches buyers with sellers and provides its members with supporting services such as real-time market availability and pricing information by device type or technology. This investment is accounted for using the equity method. The company also acquired an interest in QuestLink Technology, Inc., a technical design resource for engineers and an interest in Technologies Interactives Mediagrif Inc. These investments are accounted for using the cost method.

In addition, the company has a 50 percent interest in Marubun/Arrow, a joint venture with Marubun Corporation, Japan's largest independent components distributor and a 50 percent interest in Altech Industries (Pty) Ltd., a joint venture with Allied Technologies Limited, a South African electronics distributor. These investments are accounted for using the equity method.

4 Debt

During 2000, the company's revolving credit agreement (the "global multi-currency credit agreement"), as then amended, provided up to $650,000,000 of available credit with a maturity date of September 2001. The interest rate for loans under this facility was at the applicable eurocurrency rate (6.56125% for U.S. dollar denominated loans at December 31, 2000) plus a margin of .225%. The company pays the banks a facility fee of .125% per annum.

In March 2000, the company entered into a 364-day $550,000,000 credit facility which expires in March 2001. There were no outstanding borrowings under this facility at December 31, 2000.

In October 2000, the company issued the following series of senior debentures to finance the acquisition of Wyle, with the proceeds in excess of the applicable purchase price utilized for general corporate purposes:

(In thousands)	
Floating rate notes, due 2001	$200,000
8.2% senior debentures, due 2003	425,000
8.7% senior debentures, due 2005	250,000
9.15% senior debentures, due 2010	200,000

The floating rate notes bear interest at LIBOR plus 1% with interest payable on a quarterly basis.

In December 2000, the company entered into a $400,000,000 short-term credit facility scheduled to mature on March 19, 2001 which, under certain conditions, could be extended at the company's option to June 19, 2001.

In November 1999, the company established a commercial paper program, providing for the issuance of up to $1,000,000,000 in aggregate maturity value of commercial paper. Interest rates on outstanding commercial paper borrowings as of December 31, 2000, ranged from 6.96% to 7.65% with an effective average rate of 7.35%.

At December 31, short-term debt consists of the following:

(In thousands)	2000	1999
Floating rate notes	**$ 200,000**	$120,000
Global multi-currency facility	**388,069**	
Short-term credit facility	**400,000**	
Commercial paper	**541,366**	
Money market loan	**41,000**	
Other short-term borrowings	**255,665**	110,977
	1,826,100	230,977
Current maturities of long-term debt		25,000
Less debt refinanced	**(1,296,839)**	
	$ 529,261	$255,977

Other short-term borrowings are principally utilized to support the working capital requirements of certain foreign operations. The weighted average interest rates on these borrowings at December 31, 2000 and 1999 were 5.5% and 4.8%, respectively.

Long-term debt consists of the following at December 31:

(In thousands)	2000	1999
6.45% senior notes, due 2003	**$ 249,915**	$ 249,885
8.2% senior debentures, due 2003	**424,796**	
8.7% senior debentures, due 2005	**249,995**	
7% senior notes, due 2007	**198,477**	198,227
9.15% senior debentures, due 2010	**199,967**	
6 7/8% senior debentures, due 2018	**196,357**	196,148
7 1/2% senior debentures, due 2027	**196,351**	196,211
Global multi-currency credit facility		381,726
Commercial paper		298,123
8.29% senior notes		25,000
Other obligations with various interest rates and due dates	**14,974**	13,101
Short-term debt refinanced	**1,296,839**	
	3,027,671	1,558,421
Less installments due within one year (25,000)		
	$3,027,671	$1,533,421

The 7% senior notes and the 7 1/2% senior debentures are not redeemable prior to their maturity. The 6 7/8% senior debentures, 6.45% senior notes, 8.2% senior debentures, 8.7% senior debentures, and 9.15% senior debentures may be prepaid at the option of the company subject to a "make whole" clause. The 8.29% senior notes were repaid in December 2000.

In February 2001, the company entered into a 364-day $625,000,000 credit facility (the "364-day facility") which expires in February 2002 and a three-year revolving credit agreement providing up to $625,000,000 of available credit. These credit facilities replaced the previously existing 364-day credit facility and the global multi-currency credit facility. The 364-day facility and three-year revolving credit facility bear interest at the applicable eurocurrency rate plus a margin of .75% and .725%, respectively. The company pays the banks a facility fee of .125% and .15% per annum, respectively, related to the 364-day facility and three-year revolving credit facility. In addition, during the first quarter of 2001, the company completed the sale of $1,523,750,000 principal amount at maturity of zero coupon convertible senior debentures (the "convertible debentures") due February 21, 2021. The convertible debentures were priced with a yield to maturity of 4% per annum and may be converted into the company's common stock at a conversion price of $37.83 per share. Holders of the convertible debentures may require the company to repurchase the convertible debentures (at the issue price plus accrued original issue discount through the date of repurchase) on February 21, 2006, 2011, or 2016. The company, at its option, may redeem all or part of the convertible debentures (at the issue price plus accrued original issue discount through the date of redemption) any time on or after February 21, 2006. The net proceeds of approximately $672,000,000 were used to repay short-term debt. The consolidated balance sheet has been restated to reflect the reclassification of certain short-term debt to long-term as a result of the debt refinancing subsequent to December 31, 2000.

At December 31, 2000, the estimated fair market value of the 7% senior notes was 93 percent of par, the 7½% senior debentures was 78 percent of par, the 6⅞% senior debentures was 77 percent of par, the 6.45% senior notes was 95 percent of par, the 8.2% senior debentures was 98 percent of par, the 8.7% senior debentures was 102 percent of par, and the 9.15% senior debentures was 102 percent of par. The balance of the company's borrowings approximate their fair value.

Annual payments of borrowings during each of the years 2001 through 2005, reflecting the refinancing, are $529,261,000, $4,222,000, $675,359,000, $625,608,000, and $250,474,000, respectively, and $1,472,008,000 for all years thereafter.

The three-year revolving credit facility, the 364-day facility, the short-term credit facility, and the senior notes and debentures limit the incurrence of additional borrowings and require that working capital, net worth, and certain other financial ratios be maintained at designated levels.

5 Income Taxes

The provision for income taxes for the years ended December 31 consists of the following:

(In thousands)	**2000**	1999	1998
Current			
Federal	**$105,007**	$ 42,189	$ 46,449
State	**25,350**	9,968	11,373
Foreign	**144,892**	40,014	35,796
	275,249	92,171	93,618
Deferred			
Federal	**(5,044)**	8,922	15,667
State	**(1,253)**	2,144	3,815
Foreign	**(20,757)**	(1,449)	1,918
	(27,054)	9,617	21,400
	$248,195	$101,788	$115,018

The principal causes of the difference between the U.S. statutory and effective income tax rates for the years ended December 31 are as follows:

(In thousands)	**2000**	1999	1998
Provision at statutory rate	**$213,546**	$ 80,921	$ 95,311
State taxes, net of federal benefit	**15,663**	7,873	9,872
Foreign tax rate differential	**4,953**	2,860	858
Non-deductible goodwill	**8,537**	6,904	4,704
Other	**5,496**	3,230	4,273
	$248,195	$101,788	$115,018

For financial reporting purposes, income before income taxes attributable to the United States was $277,188,000 in 2000, $131,007,000 in 1999, and $183,048,000 in 1998 and income before income taxes attributable to foreign operations was $332,943,000 in 2000, $100,198,000 in 1999, and $89,267,000 in 1998.

The significant components of the company's deferred tax assets at December 31, which are included in prepaid expenses and other assets, are as follows:

(In thousands)	**2000**	1999
Inventory reserves	**$ 36,625**	$13,642
Allowance for doubtful accounts	**26,171**	4,376
Accrued expenses	**6,092**	2,187
Integration reserves	**57,361**	27,101
Other	**2,824**	(738)
	$129,073	$46,568

Deferred tax liabilities, which are included in other liabilities, were $20,995,000 and $39,474,000 at December 31, 2000 and 1999, respectively. The deferred tax liabilities are principally the result of the differences in the bases of the company's German assets and liabilities for tax and financial reporting purposes.

6 Shareholders' Equity

In October 2000, the shareholders approved an amendment to the certificate of incorporation to increase the number of authorized shares of common stock from 120,000,000 shares to 160,000,000 shares.

The company has 2,000,000 authorized shares of serial preferred stock with a par value of $1.

In 1988, the company paid a dividend of one preferred share purchase right on each outstanding share of common stock. Each right, as amended, entitles a shareholder to purchase one one-hundredth of a share of a new series of preferred stock at an exercise price of $50 (the "exercise price"). The rights are exercisable only if a person or group acquires 20 percent or more of the company's common stock or announces a tender or exchange offer that will result in such person or group acquiring 30 percent or more of the company's common stock. Rights owned by the person acquiring such stock or transferees thereof will automatically be void. Each other right will become a right to buy, at the exercise price, that number of shares of common stock having a market value of twice the exercise price. The rights, which do not have voting rights, may be redeemed by the company at a price of $.01 per right at any time until ten days after a 20 percent ownership position has been acquired. In the event that the company merges with, or transfers 50 percent or more of its consolidated assets or earning power to, any person or group after the rights become exercisable, holders of the rights may purchase, at the exercise price, a number of shares of common stock of the acquiring entity having a market value equal to twice the exercise price. The rights, as amended, expire on March 1, 2008.

7 Earnings Per Share

The following table sets forth the calculation of basic and diluted earnings per share ("EPS") for the years ended December 31:

(In thousands)	**2000**	1999	1998
Net income	**$357,931**	$124,153[a]	$145,828
Weighted average common shares outstanding for basic EPS	**96,707**	95,123	95,397
Net effect of dilutive stock options and restricted stock awards	**2,126**	922	1,716
Weighted average common shares outstanding for diluted EPS	**98,833**	96,045	97,113
Basic EPS	**$3.70**	$1.31[a]	$1.53
Diluted EPS	**3.62**	1.29[a]	1.50

(a) Net income includes a special charge totaling $24,560,000 ($16,480,000 after taxes) related to the company's acquisition and integration of Richey and EDG. Excluding the integration charge, net income and net income per share on a basic and diluted basis were $140,633,000, $1.48, and $1.46, respectively.

8 Employee Stock Plans

Restricted Stock Plan

Under the terms of the Arrow Electronics, Inc. Restricted Stock Plan (the "Plan"), a maximum of 3,960,000 shares of common stock may be awarded at the discretion of the board of directors to key employees of the company.

Shares awarded under the Plan may not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of, except as provided in the Plan. Shares awarded become free of forfeiture restrictions (i.e., vest) generally over a four-year period. The company awarded 211,200 shares of common stock to 115 key employees in early 2001 in respect of 2000, 134,784 shares of common stock to 43 key employees during 2000, 182,525 shares of common stock to 106 key employees in early 2000 in respect of 1999, 325,750 shares of common stock to 114 key employees during 1999, and 215,400 shares of common stock to 140 key employees during 1998.

Forfeitures of shares awarded under the Plan were 31,624, 10,335, and 7,359 during 2000, 1999, and 1998, respectively. The aggregate market value of outstanding awards under the Plan at the respective dates of award is being amortized over the vesting period, and the unamortized balance is included in shareholders' equity as unamortized employee stock awards.

Stock Option Plans

Under the terms of various Arrow Electronics, Inc. Stock Option Plans (the "Option Plans"), both nonqualified and incentive stock options for an aggregate of 21,500,000 shares of common stock were authorized for grant to directors and key employees at prices determined by the board of directors at its discretion or, in the case of incentive stock options, prices equal to the fair market value of the shares at the dates of grant. Options granted under the plans after May 1997 become exercisable in equal installments over a four-year period. Previously, options became exercisable over a two- or three-year period. Options currently outstanding have terms of ten years.

Included in the 1999 options granted are the options converted in January 1999 relating to the acquisition of Richey. The options converted on January 7, 1999 totaled 233,381, with a weighted average exercise price of $21.17 per share.

In October 1997, all employees of the North American operations below the level of vice president were granted a special award of stock options totaling 1,255,320 at the then market price of the company's stock as an incentive related to the realignment of the North American Components Operations ("NACO"). In December 1998, the board of directors approved the repricing of the remaining unforfeited options, totaling 1,050,760, reducing the exercise price from $27.50 to $22.5625.

The following information relates to the Option Plans for the years ended December 31:

	2000	**Average Exercise Price**	1999	Average Exercise Price	1998	Average Exercise Price
Options outstanding at beginning of year	**9,846,680**	**$21.90**	7,562,149	$23.41	8,231,809	$24.00
Granted	**2,327,764**	**27.55**	2,914,601	18.20	131,120[(a)]	25.87
Exercised	**(1,324,321)**	**21.09**	(93,956)	13.60	(375,501)	19.96
Forfeited	**(444,508)**	**22.96**	(536,114)	24.51	(425,279)[(a)]	26.53
Options outstanding at end of year	**10,405,615**	**$23.22**	9,846,680	$21.90	7,562,149	$23.41
Prices per share of options outstanding		**$5.94–41.25**		$1.81–34.00		$1.81–34.00
Options available for future grant						
Beginning of year	**5,533,128**		7,255,214		6,962,805	
End of year	**3,622,944**		5,533,128		7,255,214	

(a) Excludes 1,050,760 options granted in October 1997 to all employees of the North American operations below the level of vice president and repriced on December 14, 1998 from $27.50 to $22.5625.

The following table summarizes information about stock options outstanding at December 31, 2000:

	Options Outstanding			Options Exercisable	
Maximum Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$20	1,978,948	72 months	$15.65	1,077,313	$15.68
25	3,767,965	78 months	21.23	2,533,844	21.43
30	3,386,458	100 months	26.43	1,338,384	26.17
35+	1,272,244	89 months	32.34	725,925	31.92
All	10,405,615	85 months	$23.22	5,675,466	$22.80

The company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for the Option Plans.

Had stock-based compensation costs been determined as prescribed by SFAS No. 123, "Accounting for Stock-Based Compensation," net income would have been reduced by $6,144,000 ($.08 per share on a diluted basis) in 2000, $4,143,000 ($.03 per share on a diluted basis) in 1999, and $6,650,000 ($.04 per share on a diluted basis) in 1998.

The estimated weighted average fair value, utilizing the Black-Scholes option-pricing model, at the date of option grant during 2000, 1999, and 1998 was $12.25, $7.07, and $8.35, per share, respectively. The weighted average fair value was estimated using the following assumptions:

	2000	1999	1998
Expected life (months)	**48**	48	48
Risk-free interest rate (percent)	**5.5**	5.8	5.4
Expected volatility (percent)`	**50**	40	31

There is no expected dividend yield.

Stock Ownership Plan

The company maintains a noncontributory employee stock ownership plan which enables most North American employees to acquire shares of the company's common stock. Contributions, which are determined by the board of directors, are in the form of common stock or cash which is used to purchase the company's common stock for the benefit of participating employees. Contributions to the plan for 2000, 1999, and 1998 amounted to $8,128,000, $6,810,000, and $5,531,000, respectively.

9 Employee Benefit Plans

The company has a defined contribution plan for eligible employees which qualifies under Section 401(k) of the Internal Revenue Code. The company's contribution to the plan, which is based on a specified percentage of employee contributions, amounted to $7,279,000, $5,801,000, and $4,387,000, in 2000, 1999, and 1998, respectively. Certain domestic and foreign subsidiaries maintain separate defined contribution plans for their employees and made contributions thereunder which amounted to $2,510,000, $2,056,000, and $1,813,000 in 2000, 1999, and 1998, respectively. As a result of the Wyle acquisition in October 2000, the company has an additional defined contribution 401(k) plan for Wyle employees. This plan is expected to be merged with the company's 401(k) plan on April 2, 2001. The company's contribution in respect of 2000 includes $386,000 for contributions made to the Wyle 401(k) plan since acquisition.

The company maintains an unfunded supplemental retirement plan for certain executives. The board of directors determines those employees eligible to participate in the plan and their maximum annual benefit upon retirement. Wyle also sponsored a supplemental executive retirement plan for certain of its executives. Benefit accruals for the Wyle plan have been frozen as of December 31, 2000. Expenses relating to the plans were $4,597,000, $2,150,000, and $2,367,000 for the years ended December 31, 2000, 1999, and 1998, respectively. Included in the 2000 amount is $147,000 relating to the Wyle plan since acquisition.

Wyle provided retirement benefits for certain employees under a defined benefit plan. Benefits under this plan have been frozen as of December 31, 2000 and former participants may now participate in the company's stock ownership plan. Pension information as of the year ended December 31, 2000 is as follows:

(In thousands)	
Benefit obligation at end of year	$75,321
Fair value of plan assets at end of year	$80,219
Funded status of the plan	
Funded status	$ 4,899
Unamortized net loss	1,636
Net amount recognized	$ 6,535
Weighted average assumptions	
Discount rate	7.5%
Expected return on assets	8.5%

10 Lease Commitments

The company leases certain office, distribution, and other property under noncancelable operating leases expiring at various dates through 2053. Rental expense under noncancelable operating leases, net of sublease income of $3,151,000, $3,362,000, and $2,469,000 in 2000, 1999, and 1998, respectively, amounted to $47,863,000 in 2000, $40,382,000 in 1999, and $29,231,000 in 1998. Aggregate minimum rental commitments under all noncancelable operating leases, exclusive of real estate taxes, insurance, and leases related to facilities closed in connection with the realignment of NACO and the integration of the acquired businesses, are $63,417,000 in 2001, $45,386,000 in 2002, $34,535,000 in 2003, $27,959,000 in 2004, $20,102,000 in 2005, and $96,498,000 thereafter.

11 Financial Instruments

The company enters into foreign exchange forward contracts (the "contracts") to mitigate the impact of changes in foreign currency exchange rates, principally French franc, Swedish krona, Italian lira, and British pound sterling. These contracts are executed to facilitate the netting of offsetting foreign currency exposures resulting from inventory purchases and sales, and generally have terms of no more than three months. Gains or losses on these contracts are deferred and recognized when the underlying future purchase or sale is recognized. The company does not enter into forward contracts for trading purposes. The risk of loss on a contract is the risk of nonperformance by the counterparties which the company minimizes by limiting its counterparties to major financial institutions. The fair value of the contracts is estimated using market quotes. The notional amount of the contracts at December 31, 2000 and 1999, was $81,736,000 and $59,348,000, respectively. The carrying amounts, which are nominal, approximated fair value at December 31, 2000 and 1999.

12 Segment and Geographic Information

The company is engaged in the distribution of electronic components to original equipment and contract manufacturers and computer products to value-added resellers (VARs) and original equipment manufacturers. Operating income for the electronic components and computer products segments excludes the effect of special charges relating to the integration of acquired businesses. During the first quarter of 2000, the company redefined its reportable segments to present two distinct worldwide businesses that have different economic cycles, structures, and competitors. Computer products includes North American Computer Products together with UK Microtronica, Nordic Microtronica, ATD (in Iberia), and Arrow Computer Products (in France). The prior years have been restated for comparative purposes. Revenue, operating income, and total assets by segment are as follows:

(In thousands)	Electronic Components	Computer Products	Corporate	Total
2000				
Revenue from external customers	**$9,851,041**	**$3,108,209**		**$12,959,250**
Operating income (loss)	**892,441**	**33,945**	**(142,279)**	**784,107**
Total assets	**5,954,527**	**1,394,157**	**255,857**	**7,604,541**
1999				
Revenue from external customers	$6,111,605	$3,201,020		$ 9,312,625
Operating income (loss)	368,510	56,195	(86,044)[(a)]	338,661
Total assets	3,317,253	991,785	174,217	4,483,255
1998				
Revenue from external customers	$4,875,574	$3,469,085		$ 8,344,659
Operating income (loss)	293,417	106,821	(47,734)	352,504
Total assets	2,683,350	971,536	184,985	3,839,871

(a) Includes a special charge totaling $24,560,000 associated with the acquisition and integration of Richey and EDG.

As a result of the company's philosophy of maximizing operating efficiencies through the centralization of certain functions, selected fixed assets and related depreciation, borrowings, and goodwill amortization are not directly attributable to the individual operating segments. In the evaluation of its operating groups' performance, the company excludes the impact of unusual items such as realignment and integration charges.

Revenues, by geographic area, for the years ended December 31 are as follows:

(In thousands)	**2000**	1999	1998
Americas	**$ 8,089,687**	$6,160,726	$5,351,061
Europe	**3,474,990**	2,393,705	2,396,452
Asia/Pacific	**1,394,573**	758,194	597,146
	$12,959,250	$9,312,625	$8,344,659

Total assets, by geographic area, at December 31 are as follows:

(In thousands)	**2000**	1999	1998
Americas	**$4,840,169**	$2,642,601	$2,066,785
Europe	**2,104,837**	1,460,439	1,473,857
Asia/Pacific	**659,535**	380,215	299,229
	$7,604,541	$4,483,255	$3,839,871

13 Quarterly Financial Data (Unaudited)

A summary of the company's quarterly results of operations follows:

(In thousands except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2000				
Sales	**$2,769,424**	**$3,161,670**	**$3,337,068**	**$3,691,088**
Gross profit	**422,999**	**490,300**	**531,706**	**588,936**
Net income	**63,059**	**83,970**	**101,943**	**108,959**
Per common share				
Basic	**.66**	**.87**	**1.05**	**1.12**
Diluted	**.65**	**.84**	**1.02**	**1.09**
1999				
Sales	$2,201,632	$2,250,028	$2,375,797	$2,485,168
Gross profit	308,282	314,139	323,227	355,558
Net income	28,341	15,022[a]	36,753	44,037
Per common share				
Basic	.30	.16[a]	.39	.46
Diluted	.30	.16[a]	.38	.46

(a) Net income includes a special charge totaling $24,560,000 ($16,480,000 after taxes) associated with the acquisition and integration of Richey and EDG. Excluding this charge, net income was $31,502,000 or $.33 per share on a basic and diluted basis.

Report of Ernst & Young LLP, Independent Auditors

The Board of Directors and Shareholders
Arrow Electronics, Inc.

We have audited the accompanying consolidated balance sheet of Arrow Electronics, Inc. as of December 31, 2000 and 1999, and the related consolidated statements of income, cash flows, and shareholders' equity for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Arrow Electronics, Inc. at December 31, 2000 and 1999, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst + Young LLP

New York, New York
February 13, 2001, except for paragraph 11 of Note 4,
as to which date is March 1, 2001

Management's Responsibility for Financial Reporting

The consolidated financial statements of Arrow Electronics, Inc. have been prepared by management, which is responsible for their integrity and objectivity. These statements, prepared in accordance with generally accepted accounting principles, reflect our best use of judgment and estimates where appropriate. Management also prepared the other information in the annual report and is responsible for its accuracy and consistency with the consolidated financial statements.

The company's system of internal controls is designed to provide reasonable assurance that company assets are safeguarded from loss or unauthorized use or disposition and that transactions are executed in accordance with management's authorization and are properly recorded. In establishing the basis for reasonable assurance, management balances the costs of the internal controls with the benefits they provide. The system contains self-monitoring mechanisms, and compliance is tested through an extensive program of site visits and audits by the company's operating controls staff.

The audit committee of the board of directors, consisting entirely of outside directors, meets regularly with the company's management, operating controls staff, and independent auditors and reviews audit plans and results as well as management's actions taken in discharging its responsibilities for accounting, financial reporting, and internal controls. Members of management, the operating controls staff, and the independent auditors have direct and confidential access to the audit committee at all times.

The company's independent auditors, Ernst & Young LLP, were engaged to audit the consolidated financial statements in accordance with generally accepted auditing standards. These standards include a study and evaluation of internal controls for the purpose of establishing a basis for reliance thereon relative to the scope of their audit of the consolidated financial statements.

Francis M. Scricco
President and Chief Executive Officer

Sam R. Leno
Senior Vice President and Chief Financial Officer

Executive Offices

25 Hub Drive
Melville, New York 11747-3509

Independent Auditors

Ernst & Young LLP
787 Seventh Avenue
New York, New York 10019-6018

Transfer Agent and Registrar

Mellon Investor Services, L.L.C.
Overpeck Centre
85 Challenger Road
Ridgefield Park, New Jersey 07660-2104

Price Range of Common Stock

The company's common stock is listed on the New York Stock Exchange (trading symbol: "ARW"). The high and low sales prices during each quarter of 2000 and 1999 were as follows:

	2000		1999	
Quarter	**High**	**Low**	High	Low
Fourth	**$\$37\frac{3}{16}$**	**$\$22\frac{1}{16}$**	$\$26\frac{1}{2}$	$\$14\frac{3}{4}$
Third	**$39\frac{7}{8}$**	**$30\frac{3}{8}$**	$23\frac{1}{8}$	$16\frac{5}{8}$
Second	**46**	**$28\frac{1}{4}$**	$19\frac{7}{8}$	$14\frac{5}{8}$
First	**$37\frac{1}{2}$**	**$20\frac{1}{2}$**	$26\frac{9}{16}$	$13\frac{3}{16}$

The company did not pay cash dividends in 2000 or 1999. On March 2, 2001, there were approximately 3,200 shareholders of record of the company's common stock.

Annual Meeting

The Annual Meeting of Shareholders will be held at 11:00 a.m. on May 11, 2001 at the offices of J.P. Morgan Chase & Co., 270 Park Avenue, New York, New York. All shareholders are invited to attend.

Form 10-K

A copy of the company's Form 10-K Annual Report, as filed with the Securities and Exchange Commission, may be obtained by writing to the Secretary of the company.

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

Stephen P. Kaufman Chairman, Arrow Electronics, Inc. Francis M. Scricco President and Chief Executive Officer, Arrow Electronics, Inc. John C. Waddell Vice Chairman, Arrow Electronics, Inc. Daniel W. Duval Retired; Former Chief Executive Officer, Robbins & Myers, Inc. Carlo Giersch Chairman, Arrow Electronics Europe John N. Hanson Chairman, President and Chief Executive Officer, Harnischfeger Industries, Inc. Roger King Chief Executive Officer, Sa Sa International Holdings Ltd. Robert E. Klatell Executive Vice President, Arrow Electronics, Inc. Karen Gordon Mills Managing Director, Solera Capital LLC 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

Francis M. Scricco* President and Chief Executive Officer Stephen P. Kaufman* Chairman Robert E. Klatell Executive Vice President Sam R. Leno Senior Vice President and Chief Financial Officer Steven W. Menefee Senior Vice President Betty Jane Scheihing* Senior Vice President Arthur H. Baer Vice President Wayne Brody Vice President Germano Fanelli Vice President Harriet Green Vice President Thomas F. Hallam Vice President Michael J. Long Vice President Paul J. Reilly Vice President Jürgen Saalwächter Vice President Wesley S. Sagawa Vice President Jan M. Salsgiver Vice President Albert G. Streber Vice President John Tam Vice President Ira M. Birns Treasurer

OPERATING GROUP OFFICERS

Arrow Americas Components

Jan M. Salsgiver President Paul Buckley Senior Vice President, Arrow Supplier Services Group M. Sean Fernandez President, Arrow/Zeus Electronics Group Harriet Green President, Arrow Contract Manufacturing Services Distribution Group David E. Hoffmann Vice President and Managing Director, Latin and South American Components Group Kenneth T. Lamneck President, Arrow/Richey Electronics Group James M. Rosenberg President, Arrow Alliance Group Albert G. Streber President, Arrow/Wyle Communications Group Vincent Vellucci President, Arrow/Bell Components Group

Arrow North American Computer Products

Michael J. Long President Joseph D. Burke Vice President and General Manager, Mid-Range Computing Group David A. Casillo Vice President, Supplier Services Group William M. McMahon, Jr. President, Arrow/Wyle Computer Products Group

Arrow Electronics Europe

Carlo Giersch Chairman Arthur H. Baer President Philippe Djeddah Vice President, European Marketing Germano Fanelli Managing Director, Southern Europe Brian P. McNally Managing Director, Northern Europe Jürgen Saalwächter Managing Director, Central Europe

Arrow Electronics Asia

Steven W. Menefee President John Tam President, Arrow Asia/Pacific

Arrow Internet Business Group

Thomas F. Hallam President

**Member, Office of the President*

In mid-2000, Stephen P. Kaufman stepped down as Chief Executive Officer of Arrow, while retaining his position as Chairman of the Board. During the 14 years he served as CEO, Steve provided the inventive leadership and bold strategic vision that transformed Arrow from a $500 million national distributor to the $13 billion global leader of the electronics distribution industry. Under his dynamic stewardship, Arrow Electronics achieved sharply heightened levels of professionalism and productivity while acquiring 59 companies in 39 countries and increasing its market capitalization one hundred-fold.

"In a few short years we will be a billion dollar company. That means we will have to re-examine and change every aspect of how we do business and how we manage our selves. Everything will have to be re-thought and re-taught. The only constant will be change itself, and, of course, our values and integrity." (April 1983)

"Over the past decade our suppliers have become global, and our major customers have become global. Thus, in spite of the current industry downturn, today's announcement of our acquisition of a European distributor signals that we have again broadened our vision and horizons and are taking the initial steps to transform Arrow into the industry's first, truly global electronic components distributor." (June 1985)

"Having achieved sales of $2 billion last year – our next goal is not $5 billion. No, the next challenge for a $2 billion company is $10 billion. By the year 2000, Arrow Electronics will be a $10 billion company." (March 1994)

"We are going to create a new way of doing business for electronic components distribution; we will write the new playbook for the future of the industry. This is, of course, the Arrow way. This is our heritage. This is our strength." (October 1997)