ARROW ELECTRONICS INC
Form 10-K
February 01, 2012
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-4482

ARROW ELECTRONICS, INC.
(Exact name of registrant as specified in its charter)

New York	11-1806155
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
7459 S. Lima Street, Englewood, Colorado	80112
(Address of principal executive offices)	(Zip Code)

(303) 824-4000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $1 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.
Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

The aggregate market value of voting stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter was $4,724,372,296.

There were 111,897,822 shares of Common Stock outstanding as of January 27, 2012.

DOCUMENTS INCORPORATED BY REFERENCE

The definitive proxy statement related to the registrant's Annual Meeting of Shareholders, to be held May 4, 2012 is incorporated by reference in Part III to the extent described therein.

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PART I

Item 1. Business.

Arrow Electronics, Inc. (the "company" or "Arrow") is a global provider of products, services, and solutions to industrial and commercial users of electronic components and enterprise computing solutions. Serving its industrial and commercial customers as a supply chain partner, the company offers both a wide spectrum of products and a broad range of services and solutions, including materials planning, new product design services, programming and assembly services, inventory management, reverse logistics, electronics asset disposition ("EAD"), and a variety of online supply chain tools. Arrow, which was incorporated in New York in 1946, serves over 120,000 customers.

Arrow's diverse worldwide customer base consists of original equipment manufacturers ("OEMs"), contract manufacturers ("CMs"), and other commercial customers. Customers include manufacturers of consumer and industrial equipment (including machine tools, factory automation, and robotic equipment), telecommunications products, automotive and transportation, aerospace and defense, scientific and medical devices, and computer and office products. Customers also include value-added resellers ("VARs") of enterprise computing solutions.

The company maintains over 250 sales facilities and 34 distribution and value-added centers in 52 countries, serving over 80 countries. Through this network, Arrow provides one of the broadest product offerings in the electronic components and enterprise computing solutions distribution industries and a wide range of value-added services to help customers reduce their time to market, introduce innovative products through demand creation opportunities, lower their total cost of ownership, and enhance their overall competitiveness.

The company has two business segments, the global components business segment and the global enterprise computing solutions ("ECS") business segment. The company distributes electronic components to OEMs and CMs through its global components business segment and provides enterprise computing solutions to VARs through its global ECS business segment. For 2011, approximately 69% of the company's sales were from the global components business segment, and approximately 31% of the company's sales were from the global ECS business segment. The financial information about the company's business segments and geographic operations is found in Note 16 of the Notes to the Consolidated Financial Statements.

The company's financial objectives are to grow sales faster than the market, increase the markets served, grow profits faster than sales, and increase return on invested capital. To achieve its objectives, the company seeks to capture significant opportunities to grow across products, markets, and geographies. To supplement its organic growth strategy, the company continually evaluates strategic acquisitions to broaden its product and value-added service offerings, increase its market penetration, and/or expand its geographic reach.

Global Components

The company's global components business segment, one of the largest distributors of electronic components and related services in the world, covers the world's largest electronics markets - the Americas, EMEA (Europe, Middle East, and Africa), and the Asia Pacific region. The Americas include sales and marketing organizations in Argentina, Brazil, Canada, Mexico, and the United States. In the EMEA region, Arrow operates in Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Israel, Italy, Latvia, Lithuania, the Netherlands, Norway, Poland, Portugal, Romania, the Russian Federation, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, Ukraine, and the United Kingdom. In the Asia Pacific region, Arrow operates in Australia, China, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, New Zealand, Philippines, Singapore, Taiwan, Thailand, and Vietnam.

The company's global components business segment has recently completed several strategic acquisitions to broaden its product and service offerings, to further expand its geographic reach in the Asia Pacific region, and to increase the company's presence in growing markets, such as the lighting and the aerospace and defense markets. The company's global components business segment also expanded its portfolio of products and services across the full product lifecycle including new product development, reverse logistics, and EAD. Over the past three years, the global components business segment completed the following acquisitions:

- In December 2009, it acquired A.E. Petsche Company, Inc. ("Petsche"), a leading provider of interconnect products, including specialty wire, cable, and harness management solutions, to the aerospace and defense market. This acquisition expanded the company's product offerings in specialty wire and cable and provided a variety of cross-selling opportunities with the company's existing business as well as other emerging markets.

- In April 2010, it acquired Verical Incorporated ("Verical"), an ecommerce business geared towards meeting the end-of-life components and parts shortage needs of customers. This acquisition strengthened the company's ecommerce capabilities.

- In June 2010, it acquired PCG Parent Corp., doing business as Converge ("Converge"), a global provider of reverse logistics services. This acquisition builds on the company's global capabilities as a supply chain and logistics leader.

- In August 2010, it acquired Transim Technology Corporation ("Transim"), a service provider of online component design and engineering solutions for technology manufacturers. This acquisition builds on the company's service offerings and diversifies the company into markets that complement its existing businesses.

- In October 2010, it acquired Eshel Technology Group, Inc. ("ETG"), a solid-state lighting distributor and value-added service provider. This acquisition expands the company's portfolio and builds on its strategic capabilities, such as value-added services.

- In December 2010, it acquired all of the assets and operations of INT Holdings, LLC, doing business as Intechra ("Intechra"), a leading EAD company, offering comprehensive, end-to-end services. This acquisition expands the company's EAD services portfolio and aligns with the company's strategy to provide comprehensive services across the entire product lifecycle.

- In January 2011, it acquired Nu Horizons Electronics Corp. ("Nu Horizons"), a leading global distributor of advanced technology semiconductor, display, illumination, and power solutions to a wide variety of commercial OEMs and electronic manufacturing services providers. This acquisition builds on the company's strategy to expand its global capabilities, particularly in the Asia Pacific region.

- In March 2011, it acquired all of the assets and operations of the RF, Wireless and Power Division ("RFPD") of Richardson Electronics, Ltd. ("Richardson"). Richardson RFPD is a leading value-added global component distributor and provider of engineered solutions serving the global radio frequency and wireless communications market. This acquisition supports the company's strategy to expand its portfolio of products, as well as expand its global capabilities, particularly in the Asia Pacific region.

- In April 2011, it acquired Pansystem S.r.l. ("Pansystem"), a distributor of high-performance wire, cable and interconnect products serving the aerospace and defense market in Italy. This acquisition increases the company's presence and strength in the Italy market, one of the largest wire and cable market opportunities in Europe.

- In September 2011, it acquired Chip One Stop, Inc. ("C1S"). Through its online portal, C1S provides a comprehensive offering of electronic components to design engineers across Japan. This acquisition significantly enhances the company's ecommerce presence and expands the company's reach in Japan, one of the largest electronics markets in the world.

- In December 2011, it acquired Flection Group, B.V. ("Flection"), a provider of EAD services in Europe. This acquisition builds on the company's strategy to provide comprehensive services across the entire technology product lifecycle.

Additionally, the following acquisitions were, or are expected to be completed in 2012:

- Effective January 1, 2012, it acquired all of the assets and operations of the distribution business of Seed International Ltd., a value-added distributor of embedded products in China. This acquisition expands the company’s presence in the Asia Pacific region and strengthens the company’s relationship with Texas

Instruments, a key supplier.

- On January 18, 2012, it announced an agreement to acquire TechTurn, Ltd., a leading provider of EAD services that specializes in the processing and sale of technology devices that are returned or recycled from businesses and consumers. This acquisition will strengthen our existing portfolio of services and is a continuation of the company's global strategy to expand into faster growing services that span the full life cycle of technology and complement the company's core businesses. This acquisition is subject to customary regulatory approvals and is expected to be completed in the first quarter of 2012.

Within the global components business segment, approximately 67% of the company's sales consist of semiconductor products and related services; approximately 19% consist of passive, electro-mechanical, and interconnect products, consisting primarily of capacitors, resistors, potentiometers, power supplies, relays, switches, and connectors; approximately 11% consist of computing and memory; and approximately 3% consist of other products and services. Most of the company's customers require delivery of their orders on schedules or volumes that are generally not available on direct purchases from manufacturers.

Most manufacturers of electronic components rely on authorized distributors, such as the company, to augment their sales and marketing operations. As a marketing, stocking, technical support, and financial intermediary, the distributor relieves manufacturers of a portion of the costs, financial risk, and personnel associated with these functions (including otherwise sizable investments in finished goods inventories, accounts receivable systems, and distribution networks), while providing geographically dispersed selling, order processing, and delivery capabilities. At the same time, the distributor offers to a broad range of customers the convenience of accessing, from a single source, multiple products from numerous suppliers and rapid or scheduled deliveries, as well as other value-added services, such as materials management, memory programming capabilities, and financing solutions. The growth of the electronics distribution industry is fostered by the many manufacturers who recognize their authorized distributors as essential extensions of their marketing organizations.

Global ECS

The company's global ECS business segment is a leading distributor of enterprise and midrange computing products, services, and solutions to VARs in North America and the EMEA region and provider of unified communications products and related services in North America. Over the past several years, the company has transformed its enterprise computing solutions business into a stronger organization with broader global reach; increased market share in the fast-growing product segments of software, storage, and unified communications; and a more robust and diversified customer and supplier base. Execution on the company's strategic objectives resulted in the global ECS business segment becoming a leading value-added distributor of enterprise products for various suppliers including IBM, Oracle, NetApp, and Hewlett-Packard, a leading distributor of enterprise storage and security and virtualization software, a key provider of unified communications to Fortune 50 companies, and a managed-service provider to Fortune 500 customers in the voice-over-Internet protocol market.

The global ECS geographic footprint has expanded from two countries (the United States and Canada) in 2005 to 29 countries around the world today. North America includes network operating centers and sales and marketing organizations in the United States and Canada. In the EMEA region, the global ECS business segment operates in Austria, Belgium, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Iceland, Israel, Latvia, Lithuania, Luxembourg, Morocco, the Netherlands, Norway, Poland, Portugal, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, and the United Kingdom.

Over the past three years, the global ECS business segment completed the following acquisitions to further expand its geographic reach in the EMEA region and to expand its portfolio of products and services to include unified communications products and services, as well as cloud computing and security and networking services:

- In June 2010, it acquired Sphinx Group Limited ("Sphinx"), a United Kingdom-based value-added distributor of security and networking products. This acquisition increased the global ECS business segment's scale in Europe and expertise in the high-growth security and networking information technology markets.

- In September 2010, it acquired Shared Technologies Inc. ("Shared"), which sells, installs, and maintains communications equipment in North America, including the latest in unified communications, voice and data technologies, contact center, network security, and traditional telephony. This acquisition builds on the company's strategy to diversify into profitable, fast-growing markets that complement its existing businesses and to continue expanding its portfolio of products and services.

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- In December 2010, it acquired Diasa Informática, S.A. ("Diasa"), a leading European value-added distributor of servers, storage, software, and networking products in Spain and Portugal. This acquisition complements the company's existing portfolio of hardware and storage offerings and also broadens its line card with key suppliers in the EMEA region.

- In May 2011, it acquired Cross Telecom Corporation ("Cross"), a North American service provider of converged and Internet protocol technologies and unified communications. This acquisition continues the company's global strategy to expand into faster growing, high-margin services that complement the company's core businesses.

- In August 2011, it acquired the North American IT consulting and professional services division of InScope International, Inc. and INSI Technology Innovation, Inc. (collectively "InScope"). InScope provides managed services, enterprise storage management, IT virtualization, disaster recovery, data center migration and consolidation, and cloud computing services. This acquisition expands the company's capabilities and scale with NetApp Inc., an important storage supplier. In addition, it expands the company's knowledge and depth in the growing area of cloud computing infrastructures and services.

- In September 2011, it acquired LWP GmbH ("LWP"), a value-added distributor of computing solutions and services in Germany. This acquisition increases the company's presence and strength in the German market as well as strengthening the company's portfolio by expanding the company's European relationship with Citrix Systems, Inc.

Within the global ECS business segment, approximately 19% of the company's sales consist of proprietary servers, 10% consist of industry standard servers, 26% consist of software, 38% consist of storage, and 7% consist of services.

Global ECS provides VARs with many value-added services, including but not limited to, vertical market expertise, systems-level training and certification, solutions testing at Arrow ECS solutions centers, financing support, marketing augmentation, complex order configuration, and access to a one-stop-shop for mission-critical solutions. Midsize and large companies rely on VARs for their IT needs, and global ECS works with these VARs to tailor complex, highly technical mid-market and enterprise solutions in a cost-competitive manner. VARs range in size from small and medium-sized businesses to large global organizations and are typically structured as sales organizations and service providers. They purchase enterprise and mid-market computing solutions from distributors and manufacturers and resell them to end-users. The increasing complexity of these solutions and increasing demand for bundled solutions is changing how VARs go to market and increasing the importance of global ECS' value-added services. Global ECS' suppliers benefit from affordable mid-market access, demand creation, speed to market, and enhanced supply chain efficiency. For suppliers, global ECS is the aggregation point to approximately 12,000 VARs.

In better serving the needs of both suppliers and VARs, the company employs a "channel management" model that positions Arrow as an outsourced provider that fully manages the channel for its suppliers. This model benefits suppliers and VARs alike. Market development activities maximize Arrow's full line card, demand and lead generation services, and vertical enablement programs to help suppliers reach more resellers and thus more end-users. Channel development services support the business needs of resellers with training and education, business development, financing and engineering to help them grow. Services such as financial programs, on-site and remote professional services, supplier services and managed services help resellers capture more revenue beyond technology sales.

Aligned with its channel management approach in the ECS business, the company is investing in emerging and adjacent markets, such as managed services and unified computing, to meet the evolving needs of VARs and their customers.

Customers and Suppliers

The company and its affiliates serve over 120,000 industrial and commercial customers. Industrial customers range from major OEMs and CMs to small engineering firms, while commercial customers primarily include VARs and OEMs. No single customer accounted for more than 3% of the company's 2011 consolidated sales.

The products offered by the company are sold by both field sales representatives, who regularly call on customers in assigned market areas, and by inside sales personnel, who call on customers by telephone or email from the company's selling locations. The company also employs sales teams that focus on small and emerging customers where sales representatives regularly call on customers by telephone or email from centralized selling locations, and inbound sales agents serve customers that call into the company.

Each of the company's North American selling locations and primary distribution centers in the global components business segment are electronically linked to the company's central computer system, which provides fully integrated, online, real-time data with respect to nationwide inventory levels and facilitates control of purchasing, shipping, and billing. The company's international operations in the global components business segment utilize similar online, real-time computer systems, with access to the company's Worldwide Stock Check System. This system provides global access to real-time inventory data.

No single supplier accounted for more than 9% of the company's consolidated sales in 2011. The company believes that many of the products it sells are available from other sources at competitive prices. However, certain parts of the company's business, such as the company's global ECS business segment, rely on a limited number of suppliers with the strategy of providing focused support, deep product knowledge, and customized service to suppliers and VARs. Most of the company's purchases are pursuant to authorized distributor agreements, which are typically cancelable by either party at any time or on short notice.

Distribution Agreements

It is the policy of most manufacturers to protect authorized distributors, such as the company, against the potential write-down of inventories due to technological change or manufacturers' price reductions. Write-downs of inventories to market value are based upon contractual provisions, which typically provide certain protections to the company for product obsolescence and price erosion in the form of return privileges, scrap allowances, and price protection. Under the terms of the related distributor agreements and assuming the distributor complies with certain conditions, such suppliers are required to credit the distributor for reductions in manufacturers' list prices. As of December 31, 2011, this type of arrangement covered approximately 70% of the company's consolidated inventories. In addition, under the terms of many such agreements, the distributor has the right to return to the manufacturer, for credit, a defined portion of those inventory items purchased within a designated period of time.

A manufacturer, which elects to terminate a distribution agreement, is generally required to purchase from the distributor the total amount of its products carried in inventory. As of December 31, 2011, this type of repurchase arrangement covered approximately 73% of the company's consolidated inventories.

While these industry practices do not wholly protect the company from inventory losses, the company believes that they currently provide substantial protection from such losses.

Competition

The company's business is extremely competitive, particularly with respect to prices, franchises, and, in certain instances, product availability. The company competes with several other large multinational and national distributors, as well as numerous regional and local distributors. As one of the world's largest electronics distributors, the company's financial resources and sales are greater than most of its competitors.

Employees

The company and its affiliates employed approximately 15,700 employees worldwide as of December 31, 2011.

Available Information

The company files its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements, and other documents with the U.S. Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934. A copy of any document the company files with the SEC is available for review at the SEC's public reference room, 100 F Street, N.E., Washington, D.C. 20549. The SEC is reachable at 1-800-SEC-0330 for further information on the public reference room. The company's SEC filings are also available to the public on the SEC's Web site at http://www.sec.gov and through the New York Stock Exchange ("NYSE"), 20 Broad Street, New York, New York 10005, on which the company's common stock is listed.

A copy of any of the company's filings with the SEC, or any of the agreements or other documents that constitute exhibits to those filings, can be obtained by request directed to the company at the following address and telephone number:

Arrow Electronics, Inc.
7459 S. Lima Street
Englewood, Colorado 80112
(303) 824-4000
Attention: Corporate Secretary

The company also makes these filings available, free of charge, through its website (http://www.arrow.com) as soon as reasonably practicable after the company files such material with the SEC. The company does not intend this internet address to be an active link or to otherwise incorporate the contents of the website into this Annual Report on Form 10-K.

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Executive Officers

The following table sets forth the names, ages, and the positions held by each of the executive officers of the company as of February 1, 2012:

Name	Age	Position
Michael J. Long	53	Chairman, President, and Chief Executive Officer
Peter S. Brown	61	Senior Vice President, General Counsel, and Secretary
Andrew S. Bryant	56	President, Arrow Global Enterprise Computing Solutions
Peter T. Kong	61	President, Arrow Global Components
Vincent P. Melvin	48	Vice President, Chief Information Officer
M. Catherine Morris	53	Senior Vice President, Chief Strategy Officer
Paul J. Reilly	55	Executive Vice President, Finance and Operations, and Chief Financial Officer
Gretchen K. Zech	42	Senior Vice President, Human Resources

Set forth below is a brief account of the business experience during the past five years of each executive officer of the company.

Michael J. Long was appointed Chairman of the Board of Directors in December 2009 and Chief Executive Officer of the company in May 2009. He was appointed a Director and President of the company in February 2008. Prior thereto he served as Chief Operating Officer of the company from February 2008 to May 2009 and Senior Vice President of the company from January 2006 to February 2008. During this time, he also served as President, Arrow Global Components from September 2006 to February 2008.

Peter S. Brown has been Senior Vice President, General Counsel, and Secretary of the company for more than five years.

Andrew S. Bryant was appointed President of Arrow Global Enterprise Computing Solutions in April 2008. Prior to joining Arrow he served as Chief Operating Officer for Jennings, Strouss & Salmon, P.L.C. from September 2007 to April 2008, and under contract as a consultant to Avnet, Inc. from June 2006 to September 2007.

Peter T. Kong was appointed President of Arrow Global Components in May 2009. Prior thereto he served as President of Arrow Asia/Pacific from March 2006 to May 2009.

Vincent P. Melvin has been Vice President and Chief Information Officer of the company for more than five years.

M. Catherine Morris was appointed Chief Strategy Officer of the company in August 2008 and has been Senior Vice President of the company since January 2007. Prior thereto she served as President, Arrow Enterprise Computing Solutions since January 2007.

Paul J. Reilly was appointed Executive Vice President of Finance and Operations in May 2009. Prior thereto he served as Senior Vice President of the company from May 2005 to May 2009. He has been Chief Financial Officer of the company for more than five years.

Gretchen K. Zech was appointed Senior Vice President of Human Resources of the company in November 2011. Prior to joining Arrow she served as Senior Vice President, Human Resources, for Dex One Corporation (formerly known as R.H. Donnelley Corporation) from June 2006 to November 2011. R.H. Donnelley Corporation filed for reorganization under Chapter 11 of the United States Bankruptcy Code in May 2009 and emerged as Dex One Corporation in January 2010.

Item 1A. Risk Factors.

Described below and throughout this report are certain risks that the company's management believes are applicable to the company's business and the industry in which it operates. If any of the described events occur, the company's business, results of operations, financial condition, liquidity, or access to the capital markets could be materially adversely affected. When stated below that a risk may have a material adverse effect on the company's business, it means that such risk may have one or more of these effects. There may be additional risks that are not presently material or known. There are also risks within the economy, the industry, and the capital markets that could materially adversely affect the company, including those associated with an economic recession, inflation, and a global economic slowdown. There are also risks associated with the occurrence of natural disasters such as tsunamis, hurricanes, tornadoes, and floods. These factors affect businesses generally, including the company's customers and suppliers and, as a result, are not discussed in detail below except to the extent such conditions could materially affect the company and its customers and suppliers in particular ways.

If the company is unable to maintain its relationships with its suppliers or if the suppliers materially change the terms of their existing agreements with the company, the company's business could be materially adversely affected.

A substantial portion of the company's inventory is purchased from suppliers with which the company has entered into non-exclusive distribution agreements. These agreements are typically cancelable on short notice (generally 30 to 90 days). Certain parts of the company's business, such as the company's global ECS business, rely on a limited number of suppliers. To the extent that the company's significant suppliers reduce the amount of products they sell through distribution, are unwilling to continue to do business with the company, or are unable to continue to meet or significantly alter their obligations, the company's business could be materially adversely affected. In addition, to the extent that the company's suppliers modify the terms of their contracts with the company, limit supplies due to capacity constraints, or other factors, there could be a material adverse effect on the company's business.

The competitive pressures the company faces could have a material adverse effect on the company's business.

The market for the company's products and services is very competitive and subject to rapid technological change. Not only does the company compete with other distributors, it also competes for customers with many of its own suppliers. Additional competition has emerged from third-party logistics providers, catalogue distributors, and brokers. The company's failure to maintain and enhance its competitive position could adversely affect its business and prospects. Furthermore, the company's efforts to compete in the marketplace could cause deterioration of gross profit margins and, thus, overall profitability. The sizes of the company's competitors vary across market sectors, as do the resources the company has allocated to the sectors in which it does business. Therefore, some of the competitors may have a more extensive customer and/or supplier base than the company in one or more of its market sectors.

Products sold by the company may be found to be defective and, as a result, warranty and/or product liability claims may be asserted against the company, which may have a material adverse effect on the company.

The company sells its components at prices that are significantly lower than the cost of the equipment or other goods in which they are incorporated. As a result, the company may face claims for damages (such as consequential damages) that are disproportionate to the revenues and profits it receives from the components involved in the claims. While the company typically has provisions in its supplier agreements that hold the supplier accountable for defective products, and the company and its suppliers generally exclude consequential damages in their standard terms and conditions, the company's ability to avoid such liabilities may be limited as a result of differing factors, such as the inability to exclude such damages due to the laws of some of the countries where it does business. The company's business could be materially adversely affected as a result of a significant quality or performance issue in the products sold by the company, if it is required to pay for the associated damages. Although the company currently has product liability insurance, such insurance is limited in coverage and amount.

Declines in value and other factors pertaining to the company's inventory could materially adversely affect its business.

The market for the company's products and services is subject to rapid technological change, evolving industry standards, changes in end-market demand, oversupply of product, and regulatory requirements, which can contribute to the decline in value or obsolescence of inventory. Although most of the company's suppliers provide the company with certain protections from the loss in value of inventory (such as price protection and certain rights of return), the company cannot be sure that such protections will fully compensate it for the loss in value, or that the suppliers will choose to, or be able to, honor such agreements. For example, many of the company's suppliers will not allow products to be returned after they have been held in inventory beyond a certain amount of time, and, in most instances, the return rights are limited to a certain percentage of the amount of product the company purchased in a particular time frame. All of these factors pertaining to inventory could have a material adverse effect on the company's business.

The company is subject to environmental laws and regulations that could materially adversely affect its business.

The European Union, China, and other jurisdictions in which the company's products are sold have enacted or are proposing to enact laws addressing environmental and other impacts from product disposal, use of hazardous materials in products, use of chemicals in manufacturing, recycling of products at the end of their useful life, and other related matters. These laws prohibit the use of certain substances in the manufacture of the company's products and directly and indirectly impose a variety of requirements for modification of manufacturing processes, registration, chemical testing, labeling, and other matters. Failure to comply with these laws or any other applicable environmental regulations could result in fines or suspension of sales. Additionally, these directives and regulations may result in the company having non-compliant inventory that may be less readily salable or have to be written off.

Some environmental laws impose liability, sometimes without fault, for investigating or cleaning up contamination on or emanating from the company's currently or formerly owned, leased, or operated property, as well as for damages to property or natural resources and for personal injury arising out of such contamination. As the distribution business, in general, does not involve the manufacture of products, it is typically not subject to significant liability in this area. However, there may be occasions, including through acquisitions, where environmental liability arises. For example, the company has recently expanded into the electronics asset disposition business, or EAD, pursuant to which, the company is responsible to its customers to dispose of certain assets in an environmentally compliant manner. The company's or its subcontractors' failure to comply with the applicable environmental laws and regulations could result in additional liability. Such liability may be joint and several, meaning that the company could be held responsible for more than its share of the liability involved. The presence of environmental contamination could also interfere with ongoing operations or adversely affect the company's ability to sell or lease its properties. The discovery of contamination for which the company is responsible, the enactment of new laws and regulations, or changes in how existing requirements are enforced, could require the company to incur costs for compliance or subject it to unexpected liabilities.

The foregoing matters could materially adversely affect the company's business.

The company is currently involved in the investigation and remediation of environmental matters at two sites as a result of its Wyle Electronics acquisition, and the company is in litigation related to those sites.

In 2000, the company acquired Wyle Electronics ("Wyle") and assumed its outstanding liabilities, including responsibility for environmental problems at sites Wyle had previously owned. The Wyle purchase agreement includes an indemnification from the seller, now known as E.ON AG, in favor of the company, covering virtually all costs arising out of or in connection with those environmental obligations. Two sites are known to have environmental issues, one at Norco, California and the other at Huntsville, Alabama. The company has thus far borne most of the cost of the investigation and remediation of the Norco and Huntsville sites, under the direction of the cognizant state agencies. The company has spent approximately $45.0 million to date in connection with these sites. In addition, the company was named as a defendant in a private lawsuit filed in connection with alleged contamination at a small industrial building formerly leased by Wyle Laboratories in El Segundo, California. The lawsuit was settled, but the possibility remains that government entities or others may attempt to involve the company in further characterization or remediation of groundwater issues in the area.

E.ON AG acknowledged liability under the contractual indemnities with respect to the Norco and Huntsville sites and made a small initial payment, but has subsequently refused to make further payments. As a result, the company is suing E.ON AG in the Regional Court in Frankfurt, Germany. The litigation is currently suspended while the company engages in a court-facilitated mediation with E.ON AG. The mediation commenced in December 2009 and is ongoing.

As successor-in-interest to Wyle, the company is the beneficiary of the various Wyle insurance policies that covered liabilities arising out of operations at the two contaminated sites. Certain of the insurance carriers implicated in actions, which were brought in Riverside, California, County Court by landowners and residents alleging personal injury and property damage caused by contaminated groundwater and related soil-vapor found in certain residential areas adjacent to the Norco site, have undertaken substantial portions of the defense of the company, and the company has recovered approximately $13.0 million from them to date. However, the company has sued certain other umbrella liability policy carriers because they have yet to make payment on claims filed by the company. These disputes generally relate to the umbrella liability policy carriers' proportional share of the total liability as opposed to the applicability of coverage.

The company believes strongly in the merits of its positions regarding the E.ON AG indemnity and the liabilities of the insurance carriers, but there can be no guarantee of the outcome of litigation. Should and to the extent some or all of the insurance policies at issue prove insufficient or unavailable, and E.ON AG prevails in the litigation pending in Germany, the company would be responsible for the costs. The total costs of (i) the investigation and remediation of the two sites, (ii) the defense of the company and the defense and indemnity of Wyle Laboratories in the Riverside County cases, (iii) the settlement amount in those cases, and (iv) the amount of any shortfall in the availability of the E.ON AG indemnity and/or the insurance coverage are all as yet undetermined. Any or all of those costs could have a material adverse effect on the company's business.

The company may not have adequate or cost-effective liquidity or capital resources.

The company requires cash or committed liquidity facilities for general corporate purposes, such as funding its ongoing working capital, acquisition, and capital expenditure needs, as well as to refinance indebtedness. At December 31, 2011, the company had cash and cash equivalents of $396.9 million. In addition, the company currently has access to committed credit lines of $1.975 billion, of which the company had outstanding borrowings of $354.0 million at December 31, 2011. The company's ability to satisfy its cash needs depends on its ability to generate cash from operations and to access the financial markets, both of which are subject to general economic, financial, competitive, legislative, regulatory, and other factors that are beyond its control.

The company may, in the future, need to access the financial markets to satisfy its cash needs. The company's ability to obtain external financing is affected by various factors including general financial market conditions and the company's debt ratings. While, thus far, uncertainties in global credit markets have not significantly affected the company's access to capital, future financing could be difficult or more expensive. Further, any increase in the company's level of debt, change in status of its debt from unsecured to secured debt, or deterioration of its operating results may cause a reduction in its current debt ratings. Any downgrade in the company's current debt rating or tightening of credit availability could impair the company's ability to obtain additional financing or renew existing credit facilities on acceptable terms. Under the terms of any external financing, the company may incur higher financing expenses and become subject to additional restrictions and covenants. For example, the company's existing debt agreements contain restrictive covenants, including covenants requiring compliance with specified financial ratios, and a failure to comply with these or any other covenants may result in an event of default. The company's lack of access to cost-effective capital resources, an increase in the company's financing costs, or a breach of debt instrument covenants could have a material adverse effect on the company's business.

The agreements governing some of the company's financing arrangements contain various covenants and restrictions that limit some of management's discretion in operating the business and could prevent the company from engaging in some activities that may be beneficial to its business.

The agreements governing the company's financings contain various covenants and restrictions that, in certain circumstances, could limit its ability to:

- grant liens on assets;
- make restricted payments (including paying dividends on capital stock or redeeming or repurchasing capital stock);
- make investments;

- merge, consolidate, or transfer all or substantially all of its assets;
- incur additional debt; or
- engage in certain transactions with affiliates.

As a result of these covenants and restrictions, the company may be limited in how it conducts its business and may be unable to raise additional debt, compete effectively, or make investments.

The company's failure to have long-term sales contracts may have a material adverse effect on its business.

Most of the company's sales are made on an order-by-order basis, rather than through long-term sales contracts. The company generally works with its customers to develop non-binding forecasts for future volume of orders. Based on such non-binding forecasts, the company makes commitments regarding the level of business that it will seek and accept, the inventory that it purchases, and the levels of utilization of personnel and other resources. A variety of conditions, both specific to each customer and generally affecting each customer's industry may cause customers to cancel, reduce, or delay orders that were either previously made or anticipated, go bankrupt or fail, or default on their payments. Generally, customers cancel, reduce, or delay purchase orders and commitments without penalty. The company seeks to mitigate these risks, in some cases, by entering into noncancelable/nonreturnable sales agreements, but there is no guarantee that such agreements will adequately protect the company. Significant or numerous cancellations, reductions, delays in orders by customers, loss of customers, and/or customer defaults on payments could materially adversely affect the company's business.

The company's revenues originate primarily from the sales of semiconductor, PEMCO (passive, electro-mechanical and interconnect), IT hardware and software products, the sales of which are traditionally cyclical.

The semiconductor industry historically has experienced fluctuations in product supply and demand, often associated with changes in technology and manufacturing capacity and subject to significant economic market upturns and downturns. Sales of semiconductor products and related services represented approximately 47%, 49%, and 46% of the company's consolidated sales in 2011, 2010, and 2009, respectively. The sale of the company's PEMCO products closely tracks the semiconductor market. Accordingly, the company's revenues and profitability, particularly in its global components business segment, tend to closely follow the strength or weakness of the semiconductor market. Further, economic weakness of the financial and credit markets during 2008 and 2009 had a negative impact on the company's financial results. The company's financial results for 2010 and 2011 suggest that the company's business has experienced a recovery; however, there can be no assurance that the recovery to date will continue at the current pace or at all. Another downturn in the world's economies or in the technology industry could have a material adverse effect on the company's business and negatively impact its ability to maintain historical profitability levels.

The company's non-U.S. sales represent a significant portion of its revenues, and consequently, the company is exposed to risks associated with operating internationally.

In 2011, 2010, and 2009, approximately 55%, 56%, and 57%, respectively, of the company's sales came from its operations outside the United States. As a result of the company's international sales and locations, its operations are subject to a variety of risks that are specific to international operations, including the following:

- import and export regulations that could erode profit margins or restrict exports;
- the burden and cost of compliance with international laws, treaties, and technical standards and changes in those regulations;
- potential restrictions on transfers of funds;
- import and export duties and value-added taxes;
- transportation delays and interruptions;
- uncertainties arising from local business practices and cultural considerations;
- enforcement of the Foreign Corrupt Practices Act, or similar laws of other jurisdictions;
- foreign laws that potentially discriminate against companies which are headquartered outside that jurisdiction;
- recent volatility associated with sovereign debt of certain international economies;
- potential military conflicts and political risks; and
- currency fluctuations, which the company attempts to minimize through traditional hedging instruments.

Furthermore, products the company sells which are either manufactured in the United States or based on U.S. technology ("U.S. Products") are subject to the Export Administration Regulations ("EAR") when exported and re-exported to and from all international jurisdictions, in addition to the local jurisdiction's export regulations applicable to individual shipments. Licenses or proper license exemptions may be required by local jurisdictions' export regulations, including EAR, for the shipment of certain U.S. Products to certain countries, including China, India, Russia, and other countries in which the company operates. Non-compliance with the EAR or other applicable export regulations can result in a wide range of penalties including the denial of export privileges, fines, criminal penalties, and the seizure of inventories. In the event that any export regulatory body determines that any shipments made by the company violate the applicable export regulations, the company could be fined significant sums and/or its export capabilities could be restricted, which could have a material adverse effect on the company's business.

Also, the company's operating income margins are lower in certain geographic markets. Operating income in the components business in Asia/Pacific and the global ECS business in Europe tends to be lower than operating income in the other markets in which the company sells products and services. As sales in those markets increased as a percentage of overall sales, consolidated operating income margins have fallen. The financial impact of lower operating income on returns on working capital was offset, in part, by lower working capital requirements. While the company has and will continue to adopt measures to reduce the potential impact of losses resulting from the risks of doing business abroad, it cannot ensure that such measures will be adequate and, therefore, could have a material adverse effect on its business.

When the company makes acquisitions, it may take on additional liabilities or not be able to successfully integrate such acquisitions.

As part of the company's history and growth strategy, it has acquired other businesses. Acquisitions involve numerous risks, including the following:

- problems combining the acquired operations, technologies, or products;
- unanticipated costs or assumed liabilities, including those associated with regulatory actions or investigations;
- diversion of management's attention;
- negative effects on existing customer and supplier relationships; and
- potential loss of key employees, especially those of the acquired companies.

Further, the company has made, and may continue to make acquisitions of, or investments in new services, businesses or technologies to expand our current service offerings and product lines. Some of these may involve risks that may differ from those traditionally associated with our core distribution business, including undertaking product or service warranty responsibilities that in our traditional core business would generally reside primarily with our suppliers. In addition, with respect to the company's acquisition of EAD related businesses, its failure to properly safeguard confidential customer data could subject the company to penalties, damage to reputation, result in breaches of its contracts, and cause it to expend capital and other resources to protect against future security breaches. If we are not successful in mitigating or insuring against such risks, they could have a material adverse effect on the company's business.

The company's goodwill and identifiable intangible assets could become impaired, which could reduce the value of its assets and reduce its net income in the year in which the write-off occurs.

Goodwill represents the excess of the cost of an acquisition over the fair value of the assets acquired. The company also ascribes value to certain identifiable intangible assets, which consist primarily of customer relationships and trade names, among others, as a result of acquisitions. The company may incur impairment charges on goodwill or identifiable intangible assets if it determines that the fair values of the goodwill or identifiable intangible assets are less than their current carrying values. The company evaluates, on a regular basis, whether events or circumstances have occurred that indicate all, or a portion, of the carrying amount of goodwill may no longer be recoverable, in which case an impairment charge to earnings would become necessary.

See Notes 1 and 3 of the Notes to the Consolidated Financial Statements and 'Critical Accounting Policies' in Management's Discussion and Analysis of Financial Condition and Results of Operations for further discussion of the impairment testing of goodwill and identifiable intangible assets.

A decline in general economic conditions or global equity valuations could impact the judgments and assumptions about the fair value of the company's businesses and the company could be required to record impairment charges on its goodwill or other identifiable intangible assets in the future, which could impact the company's consolidated balance sheet, as well as the company's consolidated statement of operations. If the company was required to recognize an impairment charge in the future, the charge would not impact the company's consolidated cash flows, current liquidity, capital resources, and covenants under its existing revolving credit facility, asset securitization program, and other outstanding borrowings.

If the company fails to maintain an effective system of internal controls or discovers material weaknesses in its internal controls over financial reporting, it may not be able to report its financial results accurately or timely or detect fraud, which could have a material adverse effect on its business.

An effective internal control environment is necessary for the company to produce reliable financial reports and is an important part of its effort to prevent financial fraud. The company is required to periodically evaluate the effectiveness of the design and operation of its internal controls over financial reporting. Based on these evaluations, the company may conclude that enhancements, modifications, or changes to internal controls are necessary or desirable. While management evaluates the effectiveness of the company's internal controls on a regular basis, these controls may not always be effective. There are inherent limitations on the effectiveness of internal controls, including collusion, management override, and failure in human judgment. In addition, control procedures are designed to reduce rather than eliminate financial statement risk. If the company fails to maintain an effective system of internal controls, or if management or the company's independent registered public accounting firm discovers material weaknesses in the company's internal controls, it may be unable to produce reliable financial reports or prevent fraud, which could have a material adverse effect on the company's business. In addition, the company may be subject to sanctions or investigation by regulatory authorities, such as the SEC or the NYSE. Any such actions could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of the company's financial statements, which could cause the market price of its common stock to decline or limit the company's access to capital.

The company relies heavily on its internal information systems, which, if not properly functioning, could materially adversely affect the company's business.

The company's current global operations reside on multiple technology platforms. The size and complexity of our computer systems make them potentially vulnerable to breakdown, malicious intrusion and random attack. Likewise, data privacy breaches by employees and others who access our systems may pose a risk that sensitive data may be exposed to unauthorized persons or to the public. While we believe that we have taken appropriate security measures to protect our data and information technology systems, there can be no assurance that our efforts will prevent breakdowns or breaches in our systems that could have a material adverse effect on the company's business. Because most of the company's systems consist of a number of legacy, internally developed applications, it can be harder to upgrade and may be more difficult to adapt to commercially available software.

The company is in the process of converting its various business information systems worldwide to a single Enterprise Resource Planning system. The company has committed significant resources to this conversion, and is expected to be phased in over several years. This conversion is extremely complex, in part, because of the wide range of processes and the multiple legacy systems that must be integrated globally. The company is using a controlled project plan that it believes will provide for the adequate allocation of resources. However, such a plan, or a divergence from it, may result in cost overruns, project delays, or business interruptions. During the conversion process, the company may be limited in its ability to integrate any business that it may want to acquire. Failure to properly or adequately address these issues could impact the company's ability to perform necessary business operations, which could materially adversely affect the company's business.

The company may be subject to intellectual property rights claims, which are costly to defend, could require payment of damages or licensing fees and could limit the company's ability to use certain technologies in the future.

Certain of the company's products and services include intellectual property owned by the company and/or its third party suppliers. Substantial litigation and threats of litigation regarding intellectual property rights exist in the semiconductor/integrated circuit, software and some service industries. From time to time, third parties (including certain companies in the business of acquiring patents not for the purpose of developing technology but with the intention of aggressively seeking licensing revenue from purported infringers) may assert patent, copyright and/or other intellectual property rights to technologies that are important to the company's business. In some cases, depending on the nature of the claim, the company may be able to seek indemnification from its suppliers for itself and its customers against such claims, but there is no assurance that it will be successful in obtaining such indemnification or that the company is fully protected against such claims. In addition, the company is exposed to potential liability for technology that it develops itself for which it has no indemnification protections. In any dispute involving products or services that incorporate intellectual property developed, licensed by the company, or obtained through acquisition, the company's customers could also become the target of litigation. The company is obligated in many instances to indemnify and defend its customers if the products or services the company sells are alleged to infringe any third party's intellectual property rights. Any infringement claim brought against the company, regardless of the duration, outcome, or size of damage award, could:

- result in substantial cost to the company;
- divert management's attention and resources;
- be time consuming to defend;
- result in substantial damage awards; or
- cause product shipment delays.

Additionally, if an infringement claim is successful the company may be required to pay damages or seek royalty or license arrangements, which may not be available on commercially reasonable terms. The payment of any such damages or royalties may significantly increase the company's operating expenses and harm the company's operating results and financial condition. Also, royalty or license arrangements may not be available at all. The company may have to stop selling certain products or using technologies, which could affect the company's ability to compete effectively.

Compliance with government regulations regarding the use of "conflict minerals" could result in difficulty in obtaining parts and be very costly to the company.

As part of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act), the SEC has proposed disclosure requirements regarding the use of certain minerals, known as conflict minerals, which are mined from the Democratic Republic of Congo and adjoining countries, as well as procedures regarding a manufacturer's efforts to prevent the sourcing of such minerals and metals produced from those minerals. The additional disclosure rules will take effect after the company's first full year following the promulgation of the SEC's final rules. The implementation of these requirements could affect the sourcing and availability of products we purchase from our suppliers. This may reduce the number of suppliers who provide products containing conflict free metals, and may affect our ability to obtain products in sufficient quantities or at competitive prices. Also, the company may have to publicly disclose its efforts regarding conflict minerals. Our material sourcing is broad based and multi-tiered, and we may not be able to easily verify the origins for all metals used in our products. As a result, the costs of such an effort could be significant.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

The company owns and leases sales offices, distribution centers, and administrative facilities worldwide. Its executive office is located in Englewood, Colorado and occupies a 115,000 square foot facility that is owned by the company. The company owns 12 locations throughout the Americas, EMEA, and the Asia Pacific region and occupies approximately 380 additional locations under leases due to expire on various dates through 2023. The company believes its facilities are well maintained and suitable for company operations.

Item 3. Legal Proceedings.

Tekelec Matter

In 2000, the company purchased Tekelec Europe SA ("Tekelec") from Tekelec Airtronic SA and certain other selling shareholders. Subsequent to the closing of the acquisition, Tekelec received a product liability claim in the amount of €11.3 million. The product liability claim was the subject of a French legal proceeding started by the claimant in 2002, under which separate determinations were made as to whether the products that are subject to the claim were defective and the amount of damages sustained by the purchaser. The manufacturer of the products also participated in this proceeding. The claimant has commenced legal proceedings against Tekelec and its insurers to recover damages in the amount of €3.7 million and expenses of €.3 million plus interest. The company believes that any amount in addition to the amount accrued by the company would not materially adversely impact the company's consolidated financial position, liquidity, or results of operations.

Environmental and Related Matters

Wyle Claims

In connection with the 2000 purchase of Wyle from the VEBA Group ("VEBA"), the company assumed certain of the then outstanding obligations of Wyle, including Wyle's 1994 indemnification of the purchasers of its Wyle Laboratories division for environmental clean-up costs associated with any then existing contamination or violation of environmental regulations. Under the terms of the company's purchase of Wyle from VEBA, VEBA agreed to indemnify the company for costs associated with the Wyle environmental indemnities, among other things. The company is aware of two Wyle Laboratories facilities (in Huntsville, Alabama and Norco, California) at which contaminated groundwater was identified. Each site will require remediation, the final form and cost of which is undetermined. As further discussed in Note 15 of the Notes to Consolidated Financial Statements, the Alabama site is being investigated by the company under the direction of the Alabama Department of Environmental Management. The Norco site is subject to a consent decree, entered in October 2003, between the company, Wyle Laboratories, and the California Department of Toxic Substance Control.

Wyle Laboratories has demanded indemnification from the company with respect to the work at both sites (and in connection with the litigation discussed below), and the company has, in turn, demanded indemnification from VEBA. VEBA merged with a publicly-traded, German conglomerate in June 2000. The combined entity, now known as E.ON AG, remains responsible for VEBA's liabilities. E.ON AG acknowledged liability under the terms of the VEBA contract in connection with the Norco and Huntsville sites and made an initial, partial payment. Neither the company's demands for subsequent payments nor its demand for defense and indemnification in the related litigation and other costs associated with the Norco site were met.

Related Litigation

In October 2005, the company filed suit against E.ON AG in the Frankfurt am Main Regional Court in Germany. The suit seeks indemnification, contribution, and a declaration of the parties' respective rights and obligations in connection with the Riverside County litigation (discussed below) and other costs associated with the Norco site. In its answer to the company's claim filed in March 2009 in the German proceedings, E.ON AG filed a counterclaim against the company for approximately $16.0 million. The company believes it has reasonable defenses to the counterclaim and plans to defend its position vigorously. The company believes that the ultimate resolution of the counterclaim will not materially adversely impact the company's consolidated financial position, liquidity, or results of operations. The litigation is currently suspended while the company engages in a court-facilitated mediation with E.ON AG. The mediation commenced in December 2009 and is ongoing.

The company was named as a defendant in several suits related to the Norco facility, all of which were consolidated for pre-trial purposes. In January 2005, an action was filed in the California Superior Court in Riverside County, California (Gloria Austin, et al. v. Wyle Laboratories, Inc. et al.). Approximately 90 plaintiff landowners and residents sued a number of defendants under a variety of theories for unquantified damages allegedly caused by environmental contamination at and around the Norco site. Also filed in the Superior Court in Riverside County were Jimmy Gandara, et al. v. Wyle Laboratories, Inc. et al. in January 2006, and Lisa Briones, et al. v. Wyle Laboratories, Inc. et al. in May 2006; both of which contain allegations similar to those in the Austin case on behalf of approximately 20 additional plaintiffs. All of these matters have now been resolved to the satisfaction of the parties.

The company was also named as a defendant in a lawsuit filed in September 2006 in the United States District Court for the Central District of California (Apollo Associates, L.P., et anno. v. Arrow Electronics, Inc. et al.) in connection with alleged contamination at a third site, an industrial building formerly leased by Wyle Laboratories, in El Segundo, California. The lawsuit was settled, though the possibility remains that government entities or others may attempt to involve the company in further characterization or remediation of groundwater issues in the area.

Impact on Financial Statements

The company believes that any cost which it may incur in connection with environmental conditions at the Norco, Huntsville, and El Segundo sites and the related litigation is covered by the contractual indemnifications (except, under the terms of the environmental indemnification, for the first $.5 million), discussed above. The company believes that recovery of costs incurred to date associated with the environmental clean-up of the Norco and Huntsville sites, is probable. Accordingly, the company increased the receivable for amounts due from E.ON AG by $4.8 million during 2011 to $49.0 million. The company's net costs for such indemnified matters may vary from period to period as estimates of recoveries are not always recognized in the same period as the accrual of estimated expenses.

As successor-in-interest to Wyle, the company is the beneficiary of various Wyle insurance policies that covered liabilities arising out of operations at Norco and Huntsville. Certain of the insurance carriers implicated in the Riverside County litigation have undertaken substantial portions of the defense of the company, and the company has recovered approximately $13.0 million from them to date. However, the company has sued certain other umbrella liability policy carriers because they have yet to make payment on claims filed by the company. These disputes generally relate to the umbrella liability policy carriers' proportional share of the total liability as opposed to the applicability of coverage.

The company believes strongly in the merits of its positions regarding the E.ON AG indemnity and the liabilities of the insurance carriers.

Also included in the proceedings against E.ON AG is a claim for the reimbursement of pre-acquisition tax liabilities of Wyle in the amount of $8.7 million for which E.ON AG is also contractually liable to indemnify the company. E.ON AG has specifically acknowledged owing the company not less than $6.3 million of such amounts, but its promises to make payments of at least that amount were not kept. The company also believes that the recovery of these amounts is probable.

In connection with the acquisition of Wyle, the company acquired a $4.5 million tax receivable due from E.ON AG (as successor to VEBA) in respect of certain tax payments made by Wyle prior to the effective date of the acquisition, the recovery of which the company also believes is probable.

The receivable for amounts due from E.ON AG for the previously mentioned tax and environmental matters and related litigation are included in "Other Assets" on the company's consolidated balance sheets. The company's basis for the conclusion that recovery of these amounts are probable is based upon its determination that it has appropriate legal rights to seek reimbursement under the indemnification agreement with E.ON AG, as well as the company's ability to seek reimbursement under the various Wyle insurance policies. The timing of the collection of these amounts is contingent upon resolution of the court-facilitated mediation or litigation with E.ON AG, the completion of settlement agreements with certain insurers, and the resolution of litigation currently pending with certain other insurance carriers. The resolution of these matters could likely take several years.

Other

From time to time, in the normal course of business, the company may become liable with respect to other pending and threatened litigation, environmental, regulatory, labor, product, and tax matters. While such matters are subject to inherent uncertainties, it is not currently anticipated that any such matters will materially impact the company's consolidated financial position, liquidity, or results of operations.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

The company's common stock is listed on the NYSE (trading symbol: "ARW"). The high and low sales prices during each quarter of 2011 and 2010 are as follows:

Year	High	Low
2011:		
Fourth Quarter	$ 38.66	$ 25.71
Third Quarter	42.14	27.39
Second Quarter	47.50	36.21
First Quarter	42.90	34.08
2010:		
Fourth Quarter	$ 34.99	$ 25.84
Third Quarter	27.66	21.76
Second Quarter	32.50	21.79
First Quarter	30.85	25.80

Holders

On January 27, 2012, there were approximately 2,100 shareholders of record of the company's common stock.

Dividend History

The company did not pay cash dividends on its common stock during 2011 or 2010. While from time to time the Board of Directors considers the payment of dividends on the common stock, the declaration of future dividends is dependent upon the company's earnings, financial condition, and other relevant factors, including debt covenants.

Equity Compensation Plan Information

The following table summarizes information, as of December 31, 2011, relating to the Omnibus Incentive Plan, which was approved by the company's shareholders and under which cash-based awards, non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock or restricted stock units, performance shares or units, covered employee annual incentive awards, and other stock-based awards may be granted.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance
Equity compensation plans approved by security holders	6,031,965	$ 29.68	7,602,876
Equity compensation plans not approved by security holders	—	—	—

Total	6,031,965	$ 29.68	7,602,876

Performance Graph

The following graph compares the performance of the company's common stock for the periods indicated with the performance of the Standard & Poor's 500 Stock Index ("S&P 500 Stock Index") and the average performance of a group consisting of the company's peer companies (the "Peer Group") on a line-of-business basis. The companies included in the Peer Group are Anixter International Inc., Avnet, Inc., Celestica Inc., Flextronics International Ltd., Ingram Micro Inc., Jabil Circuit, Inc., Tech Data Corporation, and WESCO International, Inc. The graph assumes $100 invested on December 31, 2006 in the company, the S&P 500 Stock Index, and the Peer Group. Total return indices reflect reinvestment of dividends and are weighted on the basis of market capitalization at the time of each reported data point.

	2006	2007	2008	2009	2010	2011
Arrow Electronics	100	125	60	94	109	119
Peer Group	100	93	50	82	100	105
S&P 500 Stock Index	100	104	64	79	89	89

Unregistered Sales of Equity Securities and Use of Proceeds

In July 2011, the company's Board of Directors approved the repurchase of up to $100 million of the company's common stock through a share-repurchase program. In October 2011, the company's Board of Directors approved an additional repurchase of up to $150 million of the company's common stock (collectively, the "2011 Share-Repurchase Programs").

The following table shows the share-repurchase activity for the quarter ended December 31, 2011:

Month	Total Number of Shares Purchased(a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program(b)	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program
October 2 through 31, 2011	2,047	$37.77	—	$150,300,608
November 1 through 30, 2011	2,843	34.51	—	150,300,608
December 1 through 31, 2011	1,902	35.48	—	150,300,608
Total	6,792		—	

(a) Includes share repurchases under the 2011 Share-Repurchase Programs and those associated with shares withheld from employees for stock-based awards, as permitted by the Omnibus Incentive Plan, in order to satisfy the required tax withholding obligations.

(b) The difference between the "total number of shares purchased" and the "total number of shares purchased as part of publicly announced program" for the quarter ended December 31, 2011 is 6,792 shares, which relate to shares withheld from employees for stock-based awards, as permitted by the Omnibus Incentive Plan, in order to satisfy the required tax withholding obligations. The purchase of these shares were not made pursuant to any publicly announced repurchase plan.

Item 6. Selected Financial Data.

The following table sets forth certain selected consolidated financial data and must be read in conjunction with the company's consolidated financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K (dollars in thousands except per share data):

For the years ended December 31:	2011 (a)	2010 (b)	2009 (c)	2008 (d)	2007 (e)
Sales	$ 21,390,264	$ 18,744,676	$ 14,684,101	$ 16,761,009	$ 15,984,992
Operating income (loss)	$ 908,843	$ 750,775	$ 272,787	$ (493,569)	$ 686,905
Net income (loss) attributable to shareholders	$ 598,810	$ 479,630	$ 123,512	$ (613,739)	$ 407,792
Net income (loss) per share:					
Basic	$ 5.25	$ 4.06	$ 1.03	$ (5.08)	$ 3.31
Diluted	$ 5.17	$ 4.01	$ 1.03	$ (5.08)	$ 3.28
At December 31:					
Accounts receivable and inventories	$ 6,446,027	$ 6,011,823	$ 4,533,809	$ 4,713,849	$ 4,961,035
Total assets	9,829,079	9,600,538	7,762,366	7,118,285	8,059,860
Long-term debt	1,927,823	1,761,203	1,276,138	1,223,985	1,223,337
Shareholders' equity	3,668,812	3,251,195	2,916,960	2,676,698	3,551,860

(a) Operating income and net income attributable to shareholders include restructuring, integration, and other charges of $37.8 million ($28.1 million net of related taxes or $.25 and $.24 per share on a basic and diluted basis, respectively) and a charge of $5.9 million ($3.6 million net of related taxes or $.03 per share on both a basic and diluted basis) related to the settlement of a legal matter. Net income attributable to shareholders also includes a gain on bargain purchase of $1.1 million ($.7 million net of related taxes or $.01 per share on both a basic and diluted basis), a loss on prepayment of debt of $.9 million ($.5 million net of related taxes), and a net reduction in the provision for income taxes of $28.9 million ($.25 per share on both a basic and diluted basis) principally due to a reversal of a valuation allowance on certain international deferred tax assets.

(b) Operating income and net income attributable to shareholders include restructuring, integration, and other charges of $33.5 million ($24.6 million net of related taxes or $.21 per share on both a basic and diluted basis). Net income attributable to shareholders also includes a loss on prepayment of debt of $1.6 million ($1.0 million net of related taxes or $.01 per share on both a basic and diluted basis), as well as a net reduction of the provision for income taxes of $9.4 million ($.08 per share on both a basic and diluted basis) and a reduction of interest expense of $3.8 million ($2.3 million net of related taxes or $.02 per share on both a basic and diluted basis) primarily related to the settlement of certain income tax matters covering multiple years.

(c) Operating income and net income attributable to shareholders include restructuring, integration, and other charges of $105.5 million ($75.7 million net of related taxes or $.63 per share on both a basic and diluted basis). Net income attributable to shareholders also includes a loss on prepayment of debt of $5.3 million ($3.2 million net of related taxes or $.03 per share on both a basic and diluted basis).

(d) Operating loss and net loss attributable to shareholders include a non-cash impairment charge associated with goodwill of $1.02 billion ($905.1 million net of related taxes or $7.49 per share on both a basic and diluted basis) and restructuring, integration, and other charges of $81.0 million ($61.9 million net of related taxes or $.51 per share on both a basic and diluted basis). Net loss attributable to shareholders also includes a loss of $10.0 million ($.08 per share on both a basic and diluted basis) on the write-down of an investment, as well as a reduction of the provision for income taxes of $8.5 million ($.07 per share on both a basic and diluted basis) and an increase in interest expense of $1.0 million ($1.0 million net of related taxes or $.01 per share on both a basic and diluted basis) primarily related to the settlement of certain international income tax matters covering multiple years.

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

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

The company is a global provider of products, services, and solutions to industrial and commercial users of electronic components and enterprise computing solutions. The company provides one of the broadest product offerings in the electronic components and enterprise computing solutions distribution industries and a wide range of value-added services to help customers reduce time to market, introduce innovative products through demand creation opportunities, lower their total cost of ownership, and enhance their overall competitiveness. The company has two business segments, the global components business segment and the global ECS business segment. The company distributes electronic components to OEMs and CMs through its global components business segment and provides enterprise computing solutions to VARs through its global ECS business segment. For 2011, approximately 69% of the company's sales were from the global components business segment, and approximately 31% of the company's sales were from the global ECS business segment.

The company's financial objectives are to grow sales faster than the market, increase the markets served, grow profits faster than sales, and increase return on invested capital. To achieve its objectives, the company seeks to capture significant opportunities to grow across products, markets, and geographies. To supplement its organic growth strategy, the company continually evaluates strategic acquisitions to broaden its product offerings, increase its market penetration, and/or expand its geographic reach. Cash flow needed to fund this growth is primarily expected to be generated through continuous corporate-wide initiatives to improve profitability and increase effective asset utilization.

On March 1, 2011, the company acquired all of the assets and operations of Richardson RFPD for a purchase price of $236.0 million. On January 3, 2011, the company acquired Nu Horizons for a purchase price of $161.1 million, which included cash acquired of $18.1 million and $26.4 million of debt paid at closing. On December 16, 2010, the company acquired all of the assets and operations of Intechra for a purchase price of $101.1 million, which included $.1 million of cash acquired. On September 8, 2010, the company acquired Shared for a purchase price of $252.8 million, which included $61.9 million of debt paid at closing. On June 1, 2010, the company acquired Converge for a purchase price of $138.4 million, which included cash acquired of $4.8 million and $27.5 million of debt paid at closing. On December 20, 2009, the company acquired Petsche for a purchase price of $174.1 million, which included $4.0 million of cash acquired.

During 2011 and 2010, the company also acquired Pansystem, Cross, InScope, LWP, C1S, Flection, Verical, Sphinx, Transim, ETG, and Diasa. The impacts of these acquisitions were not individually significant to the company's consolidated financial position and results of operations.

Results of operations of Richardson RFPD, Nu Horizons, Pansystem, C1S, Flection, Intechra, Converge, Verical, Transim, ETG, and Petsche are included within the company's global components business segment, and the results of operations of Shared, Cross, InScope, LWP, Sphinx, and Diasa are included within the company's global ECS business segment.

Consolidated sales for 2011 increased by 14.1%, compared with the year-earlier period, due to a 12.8% increase in the global components business segment sales and a 17.2% increase in the global ECS business segment sales. The translation of the company's international financial statements into U.S. dollars resulted in an increase in consolidated sales of $486.1 million for 2011, compared with the year-earlier period, due to a weaker U.S. dollar. Excluding the impact of foreign currency and pro forma for acquisitions, the company's consolidated sales increased by 2.0% in 2011.

Net income attributable to shareholders increased to $598.8 million in 2011, compared with net income attributable to shareholders of $479.6 million in the year-earlier period. The following items impacted the comparability of the company's results for the years ended December 31, 2011 and 2010:

- restructuring, integration, and other charges of $37.8 million ($28.1 million net of related taxes) in 2011 and $33.5 million ($24.6 million net of related taxes) in 2010;
- a charge of $5.9 million ($3.6 million net of related taxes) related to the settlement of a legal matter in 2011;
- a gain on bargain purchase of $1.1 million ($.7 million net of related taxes) in 2011;
- a loss on prepayment of debt of $.9 million ($.5 million net of related taxes) in 2011 and $1.6 million ($1.0 million net of related taxes) in 2010;
- a net reduction in the provision for income taxes of $28.9 million principally due to a reversal of a valuation allowance on certain international deferred tax assets in 2011; and
- a net reduction of the provision for income taxes of $9.4 million and a reduction in interest expense of $3.8 million ($2.3 million net of related taxes) primarily related to the settlement of certain income tax matters in 2010 covering multiple years.

Excluding the above-mentioned items, the increase in net income attributable to shareholders for 2011 was primarily the result of the sales increases in both the global components business segment and the global ECS business segment and increased gross profit margins. This was offset, in part, by increased selling, general and administrative expenses primarily attributable to acquisitions and the increase in sales, increased interest expense due to higher average debt outstanding primarily to fund acquisitions, and increased depreciation and amortization expense due primarily to increased acquisition activity.

Substantially all of the company's sales are made on an order-by-order basis, rather than through long-term sales contracts. As such, the nature of the company's business does not provide for the visibility of material forward-looking information from its customers and suppliers beyond a few months.

Sales

Following is an analysis of net sales (in millions) by reportable segment for the years ended December 31:

	2011	2010	% Change	
Global components	$14,854	$13,169	12.8	%
Global ECS	6,536	5,576	17.2	%
Consolidated	$21,390	$18,745	14.1	%

Consolidated sales for 2011 increased by $2.65 billion, or 14.1%, compared with the year-earlier period. The increase in 2011 was driven by an increase in global components business segment sales of $1.69 billion, or 12.8%, and an increase in global ECS business segment sales of $960.1 million, or 17.2%, compared with the year-earlier period. The translation of the company's international financial statements into U.S. dollars resulted in an increase in consolidated sales of $486.1 million in 2011, compared with the year-earlier period, due to a weaker U.S. dollar. Excluding the impact of foreign currency and pro forma for acquisitions, the company's consolidated sales increased by 2.0% in 2011.

The growth in the global components business segment for 2011 was primarily driven by increased demand for the company's products in the EMEA region and the Americas region, as well as the impact of acquisitions. Pro forma for acquisitions, the sales increase for 2011 in EMEA and the Americas was 15.5% and 3.0%, respectively, offset by a sales decrease in the Asia Pacific region of 10.0%. The decline in sales in Asia Pacific was primarily due to weakness in low-end mobile handset components offset, in part, by increased demand in the vertical markets led by lighting and transportation. Excluding the impact of foreign currency and pro forma for acquisitions, the company's global components business segment sales remained flat in 2011, compared with the year-earlier period.

In the global ECS business segment, the sales for 2011 increased due to higher demand for products in both North America and EMEA. The increase in sales for 2011 was due to growth in storage, software, services, industry standard servers, and proprietary servers. Excluding the impact of foreign currency and pro forma for acquisitions, the company's global ECS business segment sales increased by 6.9% for 2011.

Following is an analysis of net sales (in millions) by reportable segment for the years ended December 31:

	2010	2009	% Change	
Global components	$13,169	$9,751	35.0	%
Global ECS	5,576	4,933	13.0	%
Consolidated	$18,745	$14,684	27.7	%

Consolidated sales for 2010 increased by $4.06 billion, or 27.7%, compared with the year-earlier period. The increase was driven by an increase in global components business segment sales of $3.42 billion, or 35.0%, and an increase in global ECS business segment sales of $643.5 million, or 13.0%. The translation of the company's international financial statements into U.S. dollars resulted in a reduction in consolidated sales of $127.1 million for 2010, compared with the year-earlier period, due to a stronger U.S. dollar. Excluding the impact of foreign currency and pro forma for acquisitions, the company's consolidated sales increased by 24.7% in 2010.

In the global components business segment, sales for 2010 increased primarily as a result of strengthening in the world's economies and to average lead times for components extending beyond traditional levels during part of 2010. Average lead times exiting 2010 were near normal levels. The growth in the global components business segment for 2010 was primarily driven by the sales increase in EMEA of 42.9%, the sales increase in the Americas of 34.2%, the sales increase in the Asia Pacific region of 18.4%, and, to a lesser extent, the impact of acquisitions. Excluding the impact of foreign currency and pro forma for acquisitions, the company's global components business segment sales increased by 30.9% in 2010.

In the global ECS business segment, sales for 2010 increased primarily due to higher demand for products. The increase in sales for 2010 was due to growth in storage, software, services, and industry standard servers, offset, in part, by declines principally in proprietary servers. Excluding the impact of foreign currency and pro forma for acquisitions, the company's global ECS business segment sales increased by 12.1% in 2010.

Gross Profit

The company recorded gross profit of $2.95 billion and $2.42 billion for 2011 and 2010, respectively. The increase in gross profit was primarily due to the aforementioned 14.1% increase in sales during 2011 and an increase in the gross profit margin of approximately 90 basis points, compared with the year-earlier period, primarily due to higher margins attributable to recent acquisitions, improved pricing, and a favorable mix towards higher profit margin products in both the global components and global ECS businesses. Excluding the impact of foreign currency and pro forma for acquisitions, gross profit margin increased approximately 20 basis points for 2011, compared with the year-earlier period.

The company recorded gross profit of $2.42 billion and $1.75 billion for 2010 and 2009, respectively. The increase in gross profit was primarily due to the aforementioned 27.7% increase in sales during 2010. The gross profit margin for 2010 increased by approximately 100 basis points, compared with the year-earlier period, due primarily to a lessening of pricing pressure in the global components business segment and a change in geographic mix, with the Americas and EMEA components businesses being a larger percentage of the company's consolidated sales for 2010 compared with the year-earlier period. The gross profit margin for the global ECS business segment was flat, compared with the year-earlier period. The gross profit margins of products sold in the global components business segment are typically higher than the gross profit margins of products in the global ECS business segment and the gross profit margins of the components sold in the Americas and EMEA tend to be higher than the gross profit margins of products in the Asia Pacific region. The financial impact of the lower gross profit margins in the global ECS business segment and the Asia Pacific region were offset, in part, by the lower operating costs and lower working capital requirements in these businesses relative to the company's other businesses.

Selling, General and Administrative Expenses and Depreciation and Amortization

Selling, general and administrative expenses increased $335.6 million, or 21.6%, in 2011, compared with 2010, on a sales increase of 14.1%. Selling, general and administrative expenses, as a percentage of sales, was 8.8% and 8.3% for 2011 and 2010, respectively. The increase in selling, general and administrative expenses in excess of the sales increase was driven by certain recent acquisitions which have a higher operating cost structure relative to the company's other businesses and was offset by higher profit margins for those businesses. For the year ended December 31, 2011, the dollar increase in selling, general and administrative expenses attributable to acquisitions was approximately $285 million.

Depreciation and amortization expense for 2011 increased by $26.1 million, or 33.8%, compared with the year-earlier period, primarily due to acquisitions.

Excluding the impact of foreign currency and pro forma for acquisitions, operating expenses (which include both selling, general and administrative expenses and depreciation and amortization expense) remained flat on a sales increase of 2.0% in 2011, as compared with 2010, due to the company's ability to efficiently manage operating costs.

Selling, general and administrative expenses increased $251.4 million, or 19.3%, in 2010, compared with 2009, on a sales increase of 27.7%. The dollar increase in selling, general and administrative expenses was primarily due to higher selling, general and administrative expenses to support the increased sales, the reinstatement of certain employee-related costs that were temporarily suspended during the global economic downturn, and higher selling, general and administrative expenses as a result of acquisitions. These increases were offset, in part, by the impact of a stronger U.S. dollar on the translation of the company's international financial statements for 2010 compared with the year-earlier period. Selling, general and administrative expenses, as a percentage of sales, was 8.3% and 8.9%, for 2010 and 2009, respectively. This decrease was primarily due to the company's continuing efforts to streamline and simplify processes and the company's ability to better leverage its existing cost structure to manage the increased level of sales relative to the year-earlier period.

Depreciation and amortization expense for 2010 increased by $10.3 million, or 15.4%, compared with the year-earlier period, primarily due to acquisitions.

Excluding the impact of foreign currency and pro forma for acquisitions, operating expenses increased 9.2% on a sales increase of 24.7% in 2010, as compared with 2009, due to the company's ability to efficiently manage operating costs.

Restructuring, Integration, and Other Charges

2011 Charges

In 2011, the company recorded restructuring, integration, and other charges of $37.8 million ($28.1 million net of related taxes or $.25 and $.24 per share on a basic and diluted basis, respectively). Included in the restructuring, integration, and other charges for 2011 is a restructuring charge of $23.8 million related to initiatives taken by the company to improve operating efficiencies, primarily due to the integration of recently acquired businesses. Also included in the restructuring, integration, and other charges for 2011 is a credit of $.7 million related to restructuring and integration actions taken in prior periods and acquisition-related expenses of $14.7 million.

The restructuring charge of $23.8 million in 2011 primarily includes personnel costs of $17.5 million and facilities costs of $5.4 million. The personnel costs are related to the elimination of approximately 280 positions within the global components business segment and approximately 240 positions within the global ECS business segment. The facilities costs are related to exit activities for 18 vacated facilities in the Americas and EMEA due to the company's continued efforts to streamline its operations and reduce real estate costs. These initiatives are due to the company's continued efforts to lower cost and drive operational efficiency.

2010 Charges

In 2010, the company recorded restructuring, integration, and other charges of $33.5 million ($24.6 million net of related taxes or $.21 per share on both a basic and diluted basis). Included in the restructuring, integration, and other charges for 2010 is a restructuring charge of $21.6 million related to initiatives taken by the company to improve operating efficiencies. Also included in the restructuring, integration, and other charges for 2010 is a credit of $.6 million related to restructuring and integration actions taken in prior periods and acquisition-related expenses of $12.4 million.

The restructuring charge of $21.6 million in 2010 primarily includes personnel costs of $14.7 million and facilities costs of $2.3 million. The personnel costs are related to the elimination of approximately 180 positions within the global ECS business segment and approximately 100 positions within the global components business segment. The facilities costs are related to exit activities for 7 vacated facilities in the Americas and EMEA due to the company's continued efforts to streamline its operations and reduce real estate costs. These initiatives are due to the company's continued efforts to lower cost and drive operational efficiency.

2009 Charges

In 2009, the company recorded restructuring, integration, and other charges of $105.5 million ($75.7 million net of related taxes or $.63 per share on both a basic and diluted basis). Included in the restructuring, integration, and other charges for 2009 is a restructuring charge of $100.3 million related to initiatives taken by the company to improve operating efficiencies. Also included in the restructuring, integration, and other charges for 2009 are charges of $1.4 million related to restructuring and integration actions taken in prior periods and acquisition-related expenses of $3.9 million.

The restructuring charge of $100.3 million in 2009 primarily includes personnel costs of $90.9 million and facilities costs of $8.0 million. The personnel costs are related to the elimination of approximately 1,605 positions within the global components business segment and approximately 320 positions within the global ECS business segment. The facilities costs are related to exit activities for 28 vacated facilities worldwide due to the company's continued efforts to streamline its operations and reduce real estate costs. These initiatives are due to the company's continued efforts to lower cost and drive operational efficiency.

As of December 31, 2011, the company does not anticipate there will be any material adjustments relating to the aforementioned restructuring plans. Refer to Note 9, "Restructuring, Integration, and Other Charges," of the Notes to the Consolidated Financial Statements for further discussion of the company's restructuring and integration activities.

Settlement of Legal Matter

During 2011, the company recorded a charge of $5.9 million ($3.6 million net of related taxes or $.03 per share on both a basic and diluted basis) in connection with the settlement of a legal matter, inclusive of related legal costs. This matter related to a customer dispute that originated in 1997. The company had successfully defended itself in a trial, but the verdict was subsequently overturned, in part, by an appellate court and remanded for a new trial. The company ultimately decided to settle this matter to avoid further legal expense and the burden on management's time that such a trial would entail.

Operating Income

The company recorded operating income of $908.8 million, or 4.2% of sales, in 2011 compared with operating income of $750.8 million, or 4.0% of sales, in 2010. Included in operating income for 2011 and 2010 were the previously discussed restructuring, integration, and other charges of $37.8 million and $33.5 million, respectively. Also included in operating income for 2011 was the previously discussed charge of $5.9 million related to the settlement of a legal matter.

The company recorded operating income of $750.8 million, or 4.0% of sales, in 2010 compared with operating income of $272.8 million, or 1.9% of sales, in 2009. Included in operating income for 2010 and 2009 were the previously discussed restructuring, integration, and other charges of $33.5 million and $105.5 million, respectively.

Gain on Bargain Purchase

During 2011, the company acquired Nu Horizons for less than the fair value of its net assets due to Nu Horizons' stock trading below its book value for an extended period of time prior to the announcement of the acquisition. The company offered a purchase price per share for Nu Horizons that was above the prevailing stock price thereby representing a premium to the shareholders. The acquisition of Nu Horizons by Arrow was approved by Nu Horizons' shareholders. The excess of the fair value of the net assets acquired over the purchase price paid of $1.1 million ($.7 million net of related taxes or $.01 per share on both a basic and diluted basis) was recognized as a gain on bargain purchase.

Loss on Prepayment of Debt

During the fourth quarter of 2011, the company recorded a loss on prepayment of debt of $.9 million ($.5 million net of related taxes), related to the repurchase of $17.9 million principal amount of its 6.875% senior notes due in 2013.

During 2010, the company recorded a loss on prepayment of debt of $1.6 million ($1.0 million net of related taxes or $.01 per share on both a basic and diluted basis), related to a property the company sold and was required to pay the related collateralized debt with a face amount of $9.0 million. The loss on prepayment of debt was offset by a gain on the sale of this property of $1.7 million, which is included in restructuring, integration, and other charges in 2010.

During 2009, the company recorded a loss on prepayment of debt of $5.3 million ($3.2 million net of related taxes or $.03 per share on both a basic and diluted basis), related to the repurchase of $130.5 million principal amount of its 9.15% senior notes due in 2010. The loss on prepayment of debt includes the premium paid and write-off of the related deferred financing costs, offset by the gain for terminating the related interest rate swaps.

Interest and Other Financing Expense, Net

Net interest and other financing expense increased by 38.4% in 2011 to $106.0 million, compared with $76.6 million in 2010, due to higher average debt outstanding primarily to fund acquisitions.

Net interest and other financing expense decreased by 8.1% in 2010 to $76.6 million, compared with $83.3 million in 2009, primarily due to lower interest rates on the company's variable rate debt and a reduction in interest expense of $3.8 million ($2.3 million net of related taxes or $.02 per share on both a basic and diluted basis) primarily related to the settlement of certain income tax matters (discussed in "Income Taxes" below).

Income Taxes

The company recorded a provision for income taxes of $210.5 million (an effective tax rate of 26.0%) for 2011. In the fourth quarter of 2011, the company recorded a net reduction in the provision for income taxes of $28.9 million ($.25 per share on both a basic and diluted basis) principally due to a reversal of a valuation allowance on certain international deferred tax assets as a result of a realignment of the company's international business operations. The company's provision and effective tax rate for 2011 were impacted by the previously discussed reversal of a valuation allowance on certain deferred tax assets, restructuring, integration, and other charges, charge related to the settlement of a legal matter, a loss on prepayment of debt, and a gain on bargain purchase. Excluding the impact of the above-mentioned items, the company's effective tax rate was 29.5% for 2011.

The company recorded a provision for income taxes of $199.4 million (an effective tax rate of 29.4%) for 2010. During 2010, the company recorded a net reduction of the provision of $9.4 million ($.08 per share on both a basic and diluted basis) primarily related to the settlement of certain tax matters covering multiple tax years. The company's provision and effective tax rate for 2010 were impacted by the previously discussed settlement of certain income tax matters, restructuring, integration, and other charges, and a loss on prepayment of debt. Excluding the impact of the above-mentioned items, the company's effective tax rate was 30.5% for 2010.

The company recorded a provision for income taxes of $65.4 million (an effective tax rate of 34.6%) for 2009. The company's provision and effective tax rate for 2009 were impacted by the previously discussed restructuring, integration, and other charges and a loss on prepayment of debt. Excluding the impact of the above-mentioned items, the company's effective tax rate was 32.5% for 2009.

The company's provision for income taxes and effective tax rate are impacted by, among other factors, the statutory tax rates in the countries in which it operates and the related level of income generated by these operations.

Net Income Attributable to Shareholders

The company recorded net income attributable to shareholders of $598.8 million in 2011 compared with net income attributable to shareholders of $479.6 million in the year-earlier period. Included in net income attributable to shareholders for 2011 were the previously discussed restructuring, integration, and other charges of $28.1 million, a charge of $3.6 million related to the settlement of a legal matter, a gain on bargain purchase of $.7 million, a loss on prepayment of debt of $.5 million, and a net reduction of the provision for income taxes of $28.9 million principally due to a reversal of a valuation allowance on certain international deferred tax assets. Included in net income attributable to shareholders for 2010 were the previously discussed restructuring, integration, and other charges of $24.6 million, and a loss on prepayment of debt of $1.0 million, as well as a net reduction of the provision for income taxes of $9.4 million and a reduction of interest expense, net of related taxes, of $2.3 million primarily related to the settlement of certain income tax matters covering multiple years. Excluding the above-mentioned items, the increase in net income attributable to shareholders for 2011 was primarily the result of the sales increases in both the global components business segment and the global ECS business segment and increased gross profit margins. This was offset, in part, by increased selling, general and administrative expenses primarily attributable to acquisitions and the increase in sales, increased interest expense due to higher average debt outstanding primarily to fund acquisitions, and increased depreciation and amortization expense due primarily to increased acquisition activity.

The company recorded net income attributable to shareholders of $479.6 million for 2010, compared with net income attributable to shareholders of $123.5 million in the year-earlier period. Included in net income attributable to shareholders for 2010 were the previously discussed restructuring, integration, and other charges of $24.6 million, and a loss on prepayment of debt of $1.0 million, as well as a net reduction of the provision for income taxes of $9.4 million and a reduction of interest expense, net of related taxes, of $2.3 million primarily related to the settlement of certain income tax matters covering multiple years. Included in net income attributable to shareholders for 2009 were the previously discussed restructuring, integration, and other charges of $75.7 million and a loss on prepayment of debt of $3.2 million. Excluding the above-mentioned items, the increase in net income attributable to shareholders was primarily the result of the sales increases in both the global components business segment and the global ECS business segment, increased gross profit margins, reduced selling, general and administrative expenses as a percentage of sales due to the company's continuing efforts to streamline and simplify processes, and a lower effective income tax rate. This was offset, in part, by increased depreciation and amortization expense due primarily to increased acquisition activity.

Liquidity and Capital Resources

At December 31, 2011 and 2010, the company had cash and cash equivalents of $396.9 million and $926.3 million, respectively, of which $361.5 million and $592.2 million, respectively, were held outside the United States. Liquidity is affected by many factors, some of which are based on normal ongoing operations of the company's business and some of which arise from fluctuations related to global economics and markets. Cash balances are generated and held in many locations throughout the world. It is the company's current intent to permanently reinvest these funds outside the United States, and its current plans do not demonstrate a need to repatriate them to fund its United States operations. If these funds were to be needed for the company's operations in the United States, it would be required to record and pay significant United States income taxes to repatriate these funds. Additionally, local government regulations may restrict the company's ability to move cash balances to meet cash needs under certain circumstances. The company currently does not expect such regulations and restrictions to impact its ability to make acquisitions or to pay vendors and conduct operations throughout the global organization.

During 2011, the net amount of cash provided by the company's operating activities was $120.9 million, the net amount of cash used for investing activities was $646.5 million, and the net amount of cash used for financing activities was $13.9 million. The effect of exchange rate changes on cash was an increase of $10.1 million.

During 2010, the net amount of cash provided by the company's operating activities was $220.8 million, the net amount of cash used for investing activities was $682.4 million, and the net amount of cash provided by financing activities was $270.9 million. The effect of exchange rate changes on cash was a decrease of $20.0 million.

During 2009, the net amount of cash provided by the company's operating activities was $849.9 million, the net amount of cash used for investing activities was $290.7 million, and the net amount of cash provided by financing activities was $113.7 million. The effect of exchange rate changes on cash was an increase of $12.9 million.

Cash Flows from Operating Activities

The company maintains a significant investment in accounts receivable and inventories. As a percentage of total assets, accounts receivable and inventories were approximately 65.6% at December 31, 2011 and were approximately 62.6% at December 31, 2010.

The net amount of cash provided by the company's operating activities during 2011 was $120.9 million and was primarily due to earnings from operations, adjusted for non-cash items, offset, in part, by an increase in net working capital to support an increase in sales.

The net amount of cash provided by the company's operating activities during 2010 was $220.8 million and was primarily due to earnings from operations, adjusted for non-cash items, offset, in part, by an increase in net working capital to support an increase in sales.

The net amount of cash provided by the company's operating activities during 2009 was $849.9 million and was primarily due to earnings from operations, adjusted for non-cash items, and a decrease in net working capital due to a decline in sales.

Working capital, as a percentage of sales, was 14.9%, 12.6%, and 12.1% in 2011, 2010, and 2009, respectively.

Cash Flows from Investing Activities

The net amount of cash used for investing activities during 2011 was $646.5 million, primarily reflecting $532.6 million of cash consideration paid for acquired businesses and $113.9 million for capital expenditures. Included in capital expenditures for 2011 is $63.7 million related to the company's global enterprise resource planning ("ERP") initiative.

During 2011, the company acquired Richardson RFPD, a leading value-added global component distributor and provider of engineered solutions serving the global radio frequency and wireless communications market; Nu Horizons, a leading global distributor of advanced technology semiconductor, display, illumination, and power solutions; Pansystem, a distributor of high-performance wire, cable, and interconnect products serving the aerospace and defense market in Italy; Cross, a North American service provider of converged and internet protocol technologies and unified communications; InScope, a provider of managed services, enterprise storage management, IT virtualization, disaster recovery, data center migration and consolidation, and cloud computing services; LWP, a value-added distributor of computing solutions and services in Germany; C1S, a supplier of electronic components to design engineers throughout Japan; and Flection, a provider of EAD services in Europe for aggregate cash consideration of $532.6 million.

The net amount of cash used for investing activities during 2010 was $682.4 million, primarily reflecting $587.1 million of cash consideration paid for acquired businesses and $112.3 million for capital expenditures, offset, in part, by proceeds from the sale of properties of $17.0 million. Included in capital expenditures for 2010 is $58.0 million related to the company's global ERP initiative.

During 2010, the company acquired Intechra, which provides fully customized EAD services to many Fortune 1000 customers throughout the world; Shared, a leading North American unified communications and managed services provider; Converge, a global provider of reverse logistics services; Verical, an ecommerce business geared towards meeting the end-of-life components and parts shortage needs of customers; Sphinx, a United Kingdom-based value-added distributor of security and networking products; Transim, a service provider of online component design and engineering solutions for technology manufacturers; ETG, a solid-state lighting distributor and value-added service provider; and Diasa, a leading European value-added distributor of servers, storage, software, and networking products in Spain and Portugal, for aggregate cash consideration of $584.0 million. In addition the company made a payment of $3.1 million to increase its ownership interest in a majority-owned subsidiary.

The net amount of cash used for investing activities during 2009 was $290.7 million, primarily reflecting $170.1 million of cash consideration paid for acquired businesses and $121.5 million for capital expenditures, offset, in part, by proceeds from the sale of properties of $1.2 million. Included in capital expenditures for 2009 is $82.3 million related to the company's global ERP initiative.

During 2009, the company acquired Petsche, a leading provider of interconnect products, including specialty wire, cable, and harness management solutions, to the aerospace and defense markets for cash consideration of $170.1 million.

The company has initiated a global ERP effort to standardize processes worldwide and adopt best-in-class capabilities. Implementation is expected to be phased-in over the next several years. For 2012, the estimated cash flow impact of this initiative is expected to be in the $50 to $60 million range with the impact decreasing by approximately $20 million in 2013. The company expects to finance these costs with cash flows from operations.

Cash Flows from Financing Activities

The net amount of cash used for financing activities during 2011 was $13.9 million. The primary sources of cash from financing activities were $354.0 million of proceeds from long-term bank borrowings, $46.7 million of proceeds from the exercise of stock options, and $8.0 million related to excess tax benefits from stock-based compensation arrangements. The primary use of cash for financing activities included a $200.0 million repayment of bank term loan, $197.0 million of repurchases of common stock, $19.3 million of repurchases of 6.875% senior notes, and a $6.2 million decrease in short-term and other borrowings.

During the fourth quarter of 2011, the company repurchased $17.9 million principal amount of its 6.875% senior notes due in 2013. The related loss on the repurchase aggregated $.9 million ($.5 million net of related taxes) and was recognized as a loss on prepayment of debt.

The net amount of cash provided by financing activities during 2010 was $270.9 million. The primary sources of cash from financing activities were $494.3 million of net proceeds from a note offering, $9.8 million increase in short-term and other borrowings, $8.1 million of proceeds from the exercise of stock options, and $1.9 million related to excess tax benefits from stock-based compensation arrangements. The primary use of cash for financing activities included $173.7 million of repurchases of common stock and a $69.5 million repayment of the company's 9.15% senior notes.

During 2010, the company completed the sale of $250.0 million principal amount of 3.375% notes due in 2015 and $250.0 million principal amount of 5.125% notes due in 2021. The net proceeds of the offering of $494.3 million were used for general corporate purposes.

The net amount of cash provided by financing activities during 2009 was $113.7 million. The primary sources of cash from financing activities were $297.4 million of net proceeds from a note offering and $4.2 million of proceeds from the exercise of stock options. The primary use of cash for financing activities for 2009 included $135.7 million of repurchases of senior notes, a $48.1 million decrease in short-term borrowings, $2.5 million of repurchases of common stock, and a $1.7 million shortfall in tax benefits from stock-based compensation arrangements.

During 2009, the company repurchased $130.5 million principal amount of its 9.15% senior notes due in 2010. The related loss on the repurchase, including the premium paid and write-off of the deferred financing costs, offset by the gain for terminating a portion of the interest rate swaps aggregated $5.3 million ($3.2 million net of related taxes or $.03 per share on both a basic and diluted basis) and was recognized as a loss on prepayment of debt. During 2010, the company repaid the remaining $69.5 million principal amount of its 9.15% senior notes upon maturity.

During 2009, the company completed the sale of $300.0 million principal amount of 6.00% notes due in 2020. The net proceeds of the offering of $297.4 million were used to repay a portion of the previously discussed 9.15% senior notes due in 2010 and for general corporate purposes.

In August 2011, the company entered into a $1.20 billion revolving credit facility, maturing in August 2016. This new facility may be used by the company for general corporate purposes including working capital in the ordinary course of business, letters of credit, repayment, prepayment or purchase of long-term indebtedness and acquisitions, and as support for the company's commercial paper program, as applicable. This agreement replaces the company's $800.0 million revolving credit facility which was scheduled to expire in January 2012. The company also had a $200.0 million term loan which was due in January 2012. The company repaid the term loan in full in August 2011. Interest on borrowings under the revolving credit facility is calculated using a base rate or a euro currency rate plus a spread based on the company's credit ratings (1.275% at December 31, 2011). The facility fee related to the revolving credit facility is .225%. At December 31, 2011, the company had $74.0 million in outstanding borrowings under the revolving credit facility. There were no outstanding borrowings under the revolving credit facility at December 31, 2010. During the years ended December 31, 2011 and 2010, the average daily balance outstanding under the revolving credit facility was $287.9 million and $119.4 million, respectively.

The company has an asset securitization program collateralized by accounts receivable of certain of its United States subsidiaries. In December 2011, the company renewed its asset securitization program and, among other things, increased its size from $600.0 million to $775.0 million and extended its term to a three-year commitment maturing in December 2014. Interest on borrowings is calculated using a base rate or a commercial paper rate plus a spread, which is based on the company's credit ratings (.40% at December 31, 2011). The facility fee is .40%. At December 31, 2011, the company had $280.0 million in outstanding borrowings under the asset securitization program. There were no outstanding borrowings under the asset securitization program at December 31, 2010. During the years ended December 31, 2011 and 2010, the average daily balance outstanding under the asset securitization program was $369.8 million and $66.8 million, respectively.

Both the revolving credit facility and asset securitization program include terms and conditions that limit the incurrence of additional borrowings, limit the company's ability to pay cash dividends or repurchase stock, and require that certain financial ratios be maintained at designated levels. The company was in compliance with all covenants as of December 31, 2011 and is currently not aware of any events that would cause non-compliance with any covenants in the future.

In the normal course of business certain of the company’s subsidiaries have agreements to sell, without recourse, selected trade receivables to financial institutions. The company does not retain financial or legal interests in these receivables, and accordingly they are accounted for as sales of the related receivables and the receivables are removed from the company’s consolidated balance sheets. Financing costs related to these transactions were not material and are included in “Interest and other financing expense, net” in the company’s consolidated statements of operations.

The company filed a shelf registration statement with the SEC in September 2009 registering debt securities, preferred stock, common stock, and warrants of Arrow Electronics, Inc. that may be issued by the company from time to time. As set forth in the shelf registration statement, the net proceeds from the sale of the offered securities may be used by the company for general corporate purposes, including repayment of borrowings, working capital, capital expenditures, acquisitions and stock repurchases, or for such other purposes as may be specified in the applicable prospectus supplement.

Management believes that the company's current cash availability, its current borrowing capacity under its revolving credit facility and asset securitization program, its expected ability to generate future operating cash flows, and the company's access to capital markets are sufficient to meet its projected cash flow needs for the foreseeable future. The company continually evaluates its liquidity requirements and would seek to amend its existing borrowing capacity or access the financial markets as deemed necessary.

Contractual Obligations

Payments due under contractual obligations at December 31, 2011 is as follows (in thousands):

	Within 1 Year	1-3 Years	4-5 Years	After 5 Years	Total
Debt	$33,417	$647,339	$334,535	$945,752	$1,961,043
Interest on long-term debt	96,758	158,525	127,954	281,990	665,227
Capital leases	426	174	19	4	623
Operating leases	61,749	82,494	38,690	26,555	209,488
Purchase obligations (a)	2,372,162	27,002	2,594	—	2,401,758
Other (b)	15,093	16,520	11,260	4,225	47,098
	$2,579,605	$932,054	$515,052	$1,258,526	$5,285,237

(a) Amounts represent an estimate of non-cancelable inventory purchase orders and other contractual obligations related to information technology and facilities as of December 31, 2011. Most of the company's inventory purchases are pursuant to authorized distributor agreements, which are typically cancelable by either party at any time or on short notice, usually within a few months.

(b) Includes estimates of contributions required to meet the requirements of several defined benefit plans. Amounts are subject to change based upon the performance of plan assets, as well as the discount rate used to determine the obligation. The company does not anticipate having to make required contributions to the plans beyond 2018. Also included are amounts relating to personnel, facilities, and certain other costs resulting from restructuring and integration activities.

Under the terms of various joint venture agreements, the company is required to pay its pro-rata share of the third party debt of the joint ventures in the event that the joint ventures are unable to meet their obligations. At December 31, 2011, the company's pro-rata share of this debt was approximately $7.7 million. The company believes there is sufficient equity in the joint ventures to meet their obligations.

At December 31, 2011, the company had a liability for unrecognized tax benefits and a liability for the payment of related interest totaling $76.9 million, of which approximately $8.0 million is expected to be paid within one year. For the remaining liability, due to the uncertainties related to these tax matters, the company is unable to make a reasonably reliable estimate when cash settlement with a taxing authority will occur.

Share-Repurchase Program

In July 2011, the company's Board of Directors approved the repurchase of up to $100 million of the company's common stock through a share-repurchase program. In October 2011, the company's Board of Directors approved an additional repurchase of up to $150 million of the company's common stock. As of December 31, 2011, the company repurchased 3,245,502 shares under these programs with a market value of $99.7 million at the dates of repurchase.

Off-Balance Sheet Arrangements

The company has no off-balance sheet financing or unconsolidated special purpose entities.

Critical Accounting Policies and Estimates

The company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the company to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses and related disclosure of contingent assets and liabilities. The company evaluates its estimates on an ongoing basis. The company bases its estimates on historical experience and on various other assumptions that are believed reasonable under the circumstances; the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The company believes the following critical accounting policies involve the more significant judgments and estimates used in the preparation of its consolidated financial statements:

Revenue Recognition

The company recognizes revenue when there is persuasive evidence of an arrangement, delivery has occurred or services are rendered, the sales price is determinable, and collectibility is reasonably assured. Revenue typically is recognized at time of shipment. Sales are recorded net of discounts, rebates, and returns, which historically have not been material.

A portion of the company's business involves shipments directly from its suppliers to its customers. In these transactions, the company is responsible for negotiating price both with the supplier and customer, payment to the supplier, establishing payment terms with the customer, product returns, and has risk of loss if the customer does not make payment. As the principal with the customer, the company recognizes the sale and cost of sale of the product upon receiving notification from the supplier that the product was shipped.

The company has certain business with select customers and suppliers that is accounted for on an agency basis (that is, the company recognizes the fees associated with serving as an agent in sales with no associated cost of sales) in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 605-45-45. Generally, these transactions relate to the sale of supplier service contracts to customers where the company has no future obligation to perform under these contracts or the rendering of logistics services for the delivery of inventory for which the company does not assume the risks and rewards of ownership.

Effective January 1, 2011, the company adopted FASB Accounting Standards Update No. 2009-13, "Multiple-Deliverable Revenue Arrangements" ("ASU No. 2009-13") and Accounting Standards Update No. 2009-14, "Certain Revenue Arrangements That Include Software Elements" ("ASU No. 2009-14"). ASU No. 2009-13 amends guidance included within ASC Topic 605-25 to require an entity to use an estimated selling price when vendor specific objective evidence or acceptable third party evidence does not exist for any products or services included in a multiple element arrangement. The arrangement consideration should be allocated among the products and services based upon their relative selling prices, thus eliminating the use of the residual method of allocation. ASU No. 2009-13 also requires expanded qualitative and quantitative disclosures regarding significant judgments made and changes in applying this guidance. ASU No. 2009-14 amends guidance included within ASC Topic 985-605 to exclude tangible products containing software components and non-software components that function together to deliver the product's essential functionality. Entities that sell joint hardware and software products that meet this scope exception will be required to follow the guidance of ASU No. 2009-13. The adoption of the provisions of ASU No. 2009-13 and ASU No. 2009-14 did not materially impact the company's consolidated financial position or results of operations.

Accounts Receivable

The company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The allowances for doubtful accounts are determined using a combination of factors, including the length of time the receivables are outstanding, the current business environment, and historical experience.

Inventories

Inventories are stated at the lower of cost or market. Write-downs of inventories to market value are based upon contractual provisions governing price protection, stock rotation, and obsolescence, as well as assumptions about future demand and market conditions. If assumptions about future demand change and/or actual market conditions are less favorable than those projected by the company, additional write-downs of inventories may be required. Due to the large number of transactions and the complexity of managing the process around price protections and stock rotations, estimates are made regarding adjustments to the book cost of inventories. Actual amounts could be different from those estimated.

Investments

The company accounts for available-for-sale investments at fair value, using quoted market prices, and the related holding gains and losses are included in "Other" in the shareholders' equity section in the company's consolidated balance sheets. The company assesses its long-term investments accounted for as available-for-sale on a quarterly basis to determine whether declines in market value below cost are other-than-temporary. When the decline is determined to be other-than-temporary, the cost basis for the individual security is reduced and a loss is realized in the company's consolidated statement of operations in the period in which it occurs. The company makes such determination based upon the quoted market price, financial condition, operating results of the investee, and the company's intent and ability to retain the investment over a period of time, which is sufficient to allow for any recovery in market value. In addition, the company assesses the following factors:

- broad economic factors impacting the investee's industry;
- publicly available forecasts for sales and earnings growth for the industry and investee; and

- the cyclical nature of the investee's industry.

The company could incur an impairment charge in future periods if, among other factors, the investee's future earnings differ from currently available forecasts.

Income Taxes

The carrying value of the company's deferred tax assets is dependent upon the company's ability to generate sufficient future taxable income in certain tax jurisdictions. Should the company determine that it is more likely than not that some portion or all of its deferred tax assets will not be realized, a valuation allowance to the deferred tax assets would be established in the period such determination was made.

It is the company's policy to provide for uncertain tax positions and the related interest and penalties based upon management's assessment of whether a tax benefit is more likely than not to be sustained upon examination by tax authorities. At December 31, 2011, the company believes it has appropriately accounted for any unrecognized tax benefits. To the extent the company prevails in matters for which a liability for an unrecognized tax benefit is established or is required to pay amounts in excess of the liability, the company's effective tax rate in a given financial statement period may be affected.

Financial Instruments

The company uses various financial instruments, including derivative financial instruments, for purposes other than trading. 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.

The company enters into interest rate swap transactions that convert certain fixed-rate debt to variable-rate debt or variable-rate debt to fixed-rate debt in order to manage its targeted mix of fixed- and floating-rate debt. The effective portion of the change in the fair value of interest rate swaps designated as fair value hedges is recorded as a change to the carrying value of the related hedged debt, and the effective portion of the change in fair value of interest rate swaps designated as cash flow hedges is recorded in the shareholders' equity section in the company's consolidated balance sheets in "Other." The ineffective portion of the interest rate swaps, if any, is recorded in "Interest and other financing expense, net" in the company's consolidated statements of operations.

The company occasionally enters into cross-currency swaps to hedge a portion of its net investment in euro-denominated net assets. The company's cross-currency swaps are derivatives designated as net investment hedges. The effective portion of the change in the fair value of derivatives designated as net investment hedges is recorded in "Foreign currency translation adjustment" included in the company's consolidated balance sheets and any ineffective portion is recorded in "Interest and other financing expense, net" in the company's consolidated statements of operations. The company uses the hypothetical derivative method to assess the effectiveness of its net investment hedge on a quarterly basis.

Contingencies and Litigation

The company is subject to proceedings, lawsuits, and other claims related to environmental, regulatory, labor, product, tax, and other matters and assesses the likelihood of an adverse judgment or outcome for these matters, as well as the range of potential losses. A determination of the reserves required, if any, is made after careful analysis. The reserves may change in the future due to new developments impacting the probability of a loss, the estimate of such loss, and the probability of recovery of such loss from third parties.

Restructuring and Integration

The company recorded charges in connection with restructuring its businesses and the integration of acquired businesses. These items primarily include employee separation costs and estimates related to the consolidation of facilities (net of sub-lease income), contractual obligations, and the impairment of certain assets. Actual amounts could be different from those estimated.

Stock-Based Compensation

The company records share-based payment awards exchanged for employee services at fair value on the date of grant and expenses the awards in the consolidated statements of operations over the requisite employee service period. Stock-based compensation expense includes an estimate for forfeitures and is generally recognized over the vesting period of the award on a straight-line basis. Stock-based compensation expense related to awards with a market or performance condition is generally recognized over the vesting period of the award utilizing the graded vesting method. The fair value of stock options is determined using the Black-Scholes valuation model and the assumptions shown in Note 12 of the Notes to the Consolidated Financial Statements. The assumptions used in calculating the fair value of share-based payment awards represent management's best estimates. The company's estimates may be impacted by certain variables including, but not limited to, stock price volatility, employee stock option exercise behaviors, additional stock option grants, estimates of forfeitures, the company's performance, and related tax impacts.

Employee Benefit Plans

The costs and obligations of the company's defined benefit pension plans are dependent on actuarial assumptions. The two critical assumptions used, which impact the net periodic pension cost (income) and the benefit obligation, are the discount rate and expected return on plan assets. The discount rate represents the market rate for a high-quality corporate bond, and the expected return on plan assets is based on current and expected asset allocations, historical trends, and expected returns on plan assets. These key assumptions are evaluated annually. Changes in these assumptions can result in different expense and liability amounts.

Costs in Excess of Net Assets of Companies Acquired

Goodwill represents the excess of the cost of an acquisition over the fair value of the assets acquired. The company tests goodwill for impairment annually as of the first day of the fourth quarter, and when an event occurs or circumstances change such that it is more likely than not that an impairment may exist, such as (i) a significant adverse change in legal factors or in business climate, (ii) an adverse action or assessment by a regulator, (iii) unanticipated competition, (iv) a loss of key personnel, (v) a more-likely-than-not sale or disposal of all or a significant portion of a reporting unit, (vi) the testing for recoverability of a significant asset group within a reporting unit, or (vii) the recognition of a goodwill impairment loss of a subsidiary that is a component of the reporting unit. In addition, goodwill is required to be tested for impairment after a portion of the goodwill is allocated to a business targeted for disposal.

Goodwill is reviewed for impairment utilizing a two-step process. The first step of the impairment test requires the identification of the reporting units and comparison of the fair value of each of these reporting units to the respective carrying value. The company's reporting units are defined as each of the three regional businesses within the global components business segment, which are the Americas, EMEA, and Asia/Pacific and each of the two regional businesses within the global ECS business segment, which are North America and EMEA. If the carrying value of the reporting unit is less than its fair value, no impairment exists and the second step is not performed. If the carrying value of the reporting unit is higher than its fair value, the second step must be performed to compute the amount of the goodwill impairment, if any. In the second step, the impairment is computed by comparing the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized for the excess.

The company generally estimates the fair value of a reporting unit using a three-year weighted average multiple of earnings before interest and taxes from comparable companies, which utilizes a look-back approach. The assumptions utilized in the evaluation of the impairment of goodwill under this approach include the identification of reporting units and the selection of comparable companies, which are critical accounting estimates subject to change. Additionally, the company supplements its multiple of earnings look-back approach with a forward-looking discounted cash flow methodology. The assumptions included in the discounted cash flow methodology included forecasted revenues, gross profit margins, operating income margins, working capital cash flow, perpetual growth rates, and long-term discount rates, among others, all of which require significant judgments by management. The company also reconciles its discounted cash flow analysis to its current market capitalization allowing for a reasonable control premium. As of the first day of the fourth quarters of 2011, 2010, and 2009, the company's annual impairment testing did not indicate impairment at any of the company's reporting units.

A decline in general economic conditions or global equity valuations could impact the judgments and assumptions about the fair value of the company's businesses, and the company could be required to record an impairment charge in the future, which could impact the company's consolidated balance sheet, as well as the company's consolidated statement of operations. If the company was required to recognize an impairment charge in the future, the charge would not impact the company's consolidated cash flows, current liquidity, capital resources, and covenants under its existing revolving credit facility, asset securitization program, and other outstanding borrowings.

As of December 31, 2011, the company has $1.47 billion of goodwill, of which approximately $764.0 million was allocated to the Americas reporting unit within the global components business segment and $557.2 million and $152.1 million was allocated to the North America and EMEA reporting units within the global ECS business segment, respectively. As of the date of the company's latest impairment test, the fair value of the Americas reporting unit within the global components business segment and the fair value of the North America and EMEA reporting units within the global ECS business segment exceeded their carrying values by approximately 56%, 174%, and 206%, respectively.

Impairment of Long-Lived Assets

The company reviews long-lived assets, including property, plant and equipment and identifiable intangible assets, for impairment whenever changes in circumstances or events may indicate that the carrying amounts are not recoverable. The company also tests indefinite-lived intangible assets, consisting of acquired trade names, for impairment at least annually as of the first day of the fourth quarter. If the fair value is less than the carrying amount of the asset, a loss is recognized for the difference.

Factors which may cause an impairment of long-lived assets include significant changes in the manner of use of these assets, negative industry or market trends, a significant underperformance relative to historical or projected future operating results, or a likely sale or disposal of the asset before the end of its estimated useful life. If any of these factors exist, the company is required to test the long-lived asset for recoverability and may be required to recognize an impairment charge for all or a portion of the asset's carrying value.

During 2009, the company recorded an impairment charge of $2.1 million in connection with the write-down of the carrying values of a building and related land to their estimated fair values less cost to sell as a result of an approved plan to market and sell these assets. The sale was completed in the first quarter of 2010. Such impairment charge was reflected in restructuring, integration, and other charges in the company's consolidated statement of operations.

Shipping and Handling Costs

Shipping and handling costs are reported as either a component of cost of sales or selling, general and administrative expenses. The company reports shipping and handling costs, primarily related to outbound freight, in the consolidated statements of operations as a component of selling, general and administrative expenses. If the company included such costs in cost of sales, gross profit margin as a percentage of sales for 2011 would decrease 40 basis points from 13.8% to 13.4% with a corresponding decrease in selling, general and administrative expenses and no impact on reported earnings.

Impact of Recently Issued Accounting Standards

In May 2011, the FASB issued Accounting Standards Update No. 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs" ("ASU No. 2011-04"), which amends current guidance to result in common fair value measurement and disclosures between accounting principles generally accepted in the United States and International Financial Reporting Standards. The amendments explain how to measure fair value. They do not require additional fair value measurements and are not intended to establish valuations standards or affect valuation practices outside of financial reporting. ASU No. 2011-04 clarifies the application of certain existing fair value measurement guidance and expands the disclosures for fair value measurements that are estimated using significant unobservable inputs (Level 3 inputs, as defined in Note 7 of the Notes to the Consolidated Financial Statements). The amendments in ASU No. 2011-04 are effective for interim and annual periods beginning after December 15, 2011. The company does not believe that the adoption of the provisions of ASU No. 2011-04 will have a material impact on the company's consolidated financial position or results of operations.

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, "Presentation of Comprehensive Income" ("ASU No. 2011-05"), which improves the comparability, consistency, and transparency of financial reporting and increases the prominence of items reported in other comprehensive income ("OCI") by eliminating the option to present components of OCI as part of the statement of changes in stockholders' equity. The amendments in this standard require that all nonowner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Subsequently in December 2011, the FASB issued Accounting Standards Update No. 2011-12, "Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income" ("ASU No. 2011-12"), which indefinitely defers the requirement in ASU No. 2011-05 to present on the face of the financial statements reclassification adjustments for items that are reclassified from OCI to net income in the statement(s) where the components of net income and the components of OCI are presented. The amendments in these standards do not change the items that must be reported in OCI, when an item of OCI must be reclassified to net income, or change the option for an entity to present components of OCI gross or net of the effect of income taxes. The amendments in ASU No. 2011-05 and ASU No. 2011-12 are effective for interim and annual periods beginning after December 15, 2011 and are to be applied retrospectively. The adoption of the provisions of ASU No. 2011-05 and ASU No. 2011-12 will not have a material impact on the company's consolidated financial position or results of operations.
In September 2011, the FASB issued Accounting Standards Update No. 2011-08, "Testing Goodwill for Impairment" ("ASU No. 2011-08"), which allows entities to use a qualitative approach to test goodwill for impairment. ASU No. 2011-08 permits an entity to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test

is not required. ASU No. 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of the provisions of ASU No. 2011-08 will not have a material impact on the company's consolidated financial position or results of operations.

Information Relating to Forward-Looking Statements

This report includes forward-looking statements that are subject to numerous assumptions, 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, the company's implementation of its new enterprise resource planning system, changes in product supply, pricing and customer demand, competition, other vagaries in the global components and global ECS markets, changes in relationships with key suppliers, increased profit margin pressure, the effects of additional actions taken to become more efficient or lower costs, and the company’s ability to generate additional cash flow. Forward-looking statements are those statements, which are not statements of historical fact. These forward-looking statements can be identified by forward-looking words such as "expects," "anticipates," "intends," "plans," "may," "will," "believes," "seeks," "estimates," and similar expressions. 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 of the forward-looking statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

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

Foreign Currency Exchange Rate Risk

The company, as a large global organization, faces exposure to adverse movements in foreign currency exchange rates. These exposures may change over time as business practices evolve and could materially impact 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, Canada, and Latin America. The company's policy is to hedge substantially all such currency exposures for which natural hedges do not exist. Natural hedges exist when purchases and sales within a specific country are both denominated in the same currency and, therefore, no exposure exists to hedge with foreign exchange forward, option, or swap contracts (collectively, the "foreign exchange contracts"). In many regions in Asia, for example, sales and purchases are primarily denominated in U.S. dollars, resulting in a "natural hedge." Natural hedges exist in most countries in which the company operates, although the percentage of natural offsets, as compared with offsets that need to be hedged by foreign exchange contracts, will vary from country to country. The company does not enter into foreign exchange contracts for trading purposes. The risk of loss on a foreign exchange contract is the risk of nonperformance by the counterparties, which the company minimizes by limiting its counterparties to major financial institutions. The fair values of the foreign exchange contracts, which are nominal, are estimated using market quotes. The notional amount of the foreign exchange contracts at December 31, 2011 and 2010 was $332.9 million and $297.9 million, respectively.

The translation of the financial statements of the non-United States operations is impacted by fluctuations in foreign currency exchange rates. The change in consolidated sales and operating income was impacted by the translation of the company's international financial statements into U.S. dollars. This resulted in increased sales and operating income of $486.1 million and $17.3 million, respectively, for 2011, compared with the year-earlier period, based on 2010 sales and operating income at the average rate for 2011. Sales and operating income would decrease by approximately $689.9 million and $31.0 million, respectively, if average foreign exchange rates had declined by 10% against the U.S. dollar in 2011. These amounts were determined by considering the impact of a hypothetical foreign exchange rate on the sales and operating income of the company's international operations.

Interest Rate Risk

The company's interest expense, in part, is sensitive to the general level of interest rates in North America, Europe, and the Asia Pacific region. The company historically has managed its exposure to interest rate risk through the proportion of fixed-rate and floating-rate debt in its total debt portfolio. Additionally, the company utilizes interest rate swaps in order to manage its targeted mix of fixed- and floating-rate debt.

At December 31, 2011, approximately 80% of the company's debt was subject to fixed rates, and 20% of its debt was subject to floating rates. A one percentage point change in average interest rates would not materially impact net interest and other financing expense in 2011. This was determined by considering the impact of a hypothetical interest rate on the company's average floating rate on investments and outstanding debt. This analysis does not consider the effect of the level of overall economic activity that could exist. In the event of a change in the level of economic activity, which may adversely impact interest rates, the company could likely take actions to further mitigate any potential negative exposure to the change. However, due to the uncertainty of the specific actions that might be taken and their possible effects, the sensitivity analysis assumes no changes in the company's financial structure.

In June 2004 and November 2009, the company entered into interest rate swaps, with an aggregate notional amount of $275.0 million. The swaps modified the company's interest rate exposure by effectively converting a portion of the fixed 6.875% senior notes to a floating rate, based on the six-month U.S. dollar LIBOR plus a spread (an effective rate of 4.37% at December 31, 2010), through its maturity. The swaps were classified as fair value hedges and had a fair value of $14.8 million at December 31, 2010. In September 2011, these interest rate swap agreements were terminated for proceeds of $12.2 million, net of accrued interest. The proceeds of the swap terminations, less accrued interest, were reflected as a premium to the underlying debt and will be amortized as a reduction to interest expense over the remaining term of the underlying debt.

In December 2010, the company entered into interest rate swaps, with an aggregate notional amount of $250.0 million. The swaps modified the company's interest rate exposure by effectively converting the fixed 3.375% notes to a floating rate, based on the three-month U.S. dollar LIBOR plus a spread (an effective rate of approximately 1.38% at December 31, 2010), through its maturity. The swaps are classified as fair value hedges and had a negative fair value of $.7 million at December 31, 2010. In September 2011, these interest rate swap agreements were terminated for proceeds of $11.9 million, net of accrued interest. The proceeds of the swap terminations, less accrued interest, were reflected as a premium to the underlying debt and will be amortized as a reduction to interest expense over the remaining term of the underlying debt.

In September 2011, the company entered into a ten-year forward-starting interest rate swap (the "2011 swap") locking in a treasury rate of 2.63% with an aggregate notional amount of $175.0 million. This swap manages the risk associated with changes in treasury rates and the impact of future interest payments. The 2011 swap relates to the interest payments for anticipated debt issuances. Such anticipated debt issuances are expected to replace the outstanding debt maturing in July 2013. The 2011 swap is classified as a cash flow hedge and had a negative fair value of $3.0 million at December 31, 2011.

Item 8. Financial Statements and Supplementary Data.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Arrow Electronics, Inc.

We have audited the accompanying consolidated balance sheets of Arrow Electronics, Inc. (the "company") as of December 31, 2011 and 2010 and the related consolidated statements of operations, equity, and cash flows for each of the three years in the period ended December 31, 2011. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and the schedule are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Arrow Electronics, Inc. at December 31, 2011 and 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2011 in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Arrow Electronics, Inc.'s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 1, 2012 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

New York, New York
February 1, 2012

ARROW ELECTRONICS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands except per share data)

	Years Ended December 31,		
	2011	2010	2009
Sales	$21,390,264	$18,744,676	$14,684,101
Costs and expenses:			
Cost of sales	18,441,661	16,326,069	12,933,207
Selling, general and administrative expenses	1,892,592	1,556,986	1,305,566
Depreciation and amortization	103,482	77,352	67,027
Restructuring, integration, and other charges	37,811	33,494	105,514
Settlement of legal matter	5,875	—	—
	20,481,421	17,993,901	14,411,314
Operating income	908,843	750,775	272,787
Equity in earnings of affiliated companies	6,736	6,369	4,731
Gain on bargain purchase	1,088	—	—
Loss on prepayment of debt	895	1,570	5,312
Interest and other financing expense, net	105,971	76,571	83,285
Income before income taxes	809,801	679,003	188,921
Provision for income taxes	210,485	199,378	65,416
Consolidated net income	599,316	479,625	123,505
Noncontrolling interests	506	(5)	(7)
Net income attributable to shareholders	$598,810	$479,630	$123,512
Net income per share:			
Basic	$5.25	$4.06	$1.03
Diluted	$5.17	$4.01	$1.03
Average number of shares outstanding:			
Basic	114,025	117,997	119,800
Diluted	115,932	119,577	120,489

See accompanying notes.

ARROW ELECTRONICS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands except par value)

	December 31, 2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents	$396,887	$926,321
Accounts receivable, net	4,482,117	4,102,870
Inventories	1,963,910	1,908,953
Other current assets	181,677	147,690
Total current assets	7,024,591	7,085,834
Property, plant and equipment, at cost:		
Land	23,790	24,213
Buildings and improvements	147,215	136,732
Machinery and equipment	934,558	863,773
	1,105,563	1,024,718
Less: Accumulated depreciation and amortization	(549,334)	(519,178)
Property, plant and equipment, net	556,229	505,540
Investments in affiliated companies	60,579	59,455
Intangible assets, net	392,763	310,847
Cost in excess of net assets of companies acquired	1,473,333	1,336,351
Other assets	321,584	302,511
Total assets	$9,829,079	$9,600,538
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$3,264,088	$3,644,988
Accrued expenses	660,996	637,045
Short-term borrowings, including current portion of long-term debt	33,843	61,210
Total current liabilities	3,958,927	4,343,243
Long-term debt	1,927,823	1,761,203
Other liabilities	267,069	244,897
Equity:		
Shareholders' equity:		
Common stock, par value $1:		
Authorized - 160,000 shares in 2011 and 2010		
Issued - 125,382 and 125,337 shares in 2011 and 2010, respectively	125,382	125,337
Capital in excess of par value	1,076,275	1,063,461
Treasury stock (13,568 and 10,690 shares in 2011 and 2010, respectively), at cost	(434,959)	(318,494)
Retained earnings	2,772,957	2,174,147
Foreign currency translation adjustment	158,550	207,914
Other	(29,393)	(1,170)
Total shareholders' equity	3,668,812	3,251,195
Noncontrolling interests	6,448	—
Total equity	3,675,260	3,251,195
Total liabilities and equity	$9,829,079	$9,600,538

See accompanying notes.

ARROW ELECTRONICS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended December 31,		
	2011	2010	2009
Cash flows from operating activities:			
Consolidated net income	$599,316	$479,625	$123,505
Adjustments to reconcile consolidated net income to net cash provided by operations:			
Depreciation and amortization	103,482	77,352	67,027
Amortization of stock-based compensation	39,225	34,613	33,017
Equity in earnings of affiliated companies	(6,736)	(6,369)	(4,731)
Deferred income taxes	(11,377)	17,133	19,313
Restructuring, integration, and other charges	28,054	24,605	75,720
Settlement of legal matter	3,609	—	—
Non-cash impact of tax matters	—	(11,716)	—
Excess tax benefits from stock-based compensation arrangements	(7,956)	(1,922)	1,731
Other	700	3,302	5,541
Change in assets and liabilities, net of effects of acquired businesses:			
Accounts receivable	(193,492)	(805,637)	2,302
Inventories	105,150	(497,294)	286,626
Accounts payable	(465,603)	799,142	304,295
Accrued expenses	(74,236)	88,675	(92,587)
Other assets and liabilities	747	19,263	28,096
Net cash provided by operating activities			