Arrow ECS Nordic A/S

Jens Juuls Vej 42, 8260 Viby J

CVR no. 12 27 41 81

Annual report 2016

Approved at the annual general meeting of shareholders on April 25, 2017

Chairman:

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Arrow ECS Nordic A/S for the financial year 1 January - 31 December 2016.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Aarhus, 25 April 2017
Executive Board:

Jørgen Winther Pedersen	Jens Skovsgaard Hornum

Board of Directors:

Eric Claude Nowak Chairman	Jørgen Winther Pedersen	Jean-Pierre Abadia

Independent auditor's report

To the shareholder of Arrow ECS Nordic A/S

Opinion

We have audited the financial statements of Arrow ECS Nordic A/S for the financial year 1 January - 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent auditor's report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Aarhus, 25 April 2017
Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Steen Skorstengaard	Keld A. M. Nielsen
State Authorised Public Accountant	State Authorised Public Accountant

Management's review

Company details

Name	Arrow ECS Nordic A/S
Address, Postal code, City	Jens Juuls Vej 42, 8260 Viby J
CVR no.	12 27 41 81
Established	1 June 1988
Registered office	Aarhus
Financial year	1 January - 31 December
Board of Directors	Eric Claude Nowak, Chairman Jørgen Winther Pedersen Jean-Pierre Abadia
Executive Board	Jørgen Winther Pedersen Jens Skovsgaard Hornum
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25, P.O. Box 330, 8100 Aarhus C, Denmark
Bankers	Nordea A/S Bank Mendes Gans

Management's review

Management commentary

Business review

As in prior years, the Company's main activity was to act as a parent company.

Financial review

The income statement for 2016 shows a profit of DKK 64,024 thousand against DKK 72,190 thousand last year, and the balance sheet at 31 December 2016 shows equity of DKK 663,946 thousand.

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK'000	2016	2015
	Gross margin	13,367	9,812
2	Staff costs	-10,375	-9,357
	Depreciation of property, plant and equipment	-272	-551
	Other operating expenses	-162	0
	Profit/loss before net financials	2,558	-96
	Income from investments in group entities	62,095	71,364
3	Financial income	4,405	2,088
	Financial expenses	-2,282	-899
	Profit before tax	66,776	72,457
4	Tax for the year	-2,752	-267
	Profit for the year	64,024	72,190

Recommended appropriation of profit		
Net revaluation reserve according to the equity method	62,095	-150,028
Retained earnings	1,929	222,218
	64,024	72,190

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2016	2015
	ASSETS		
	Fixed assets		
5	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	776	500
	Leasehold improvements	0	3
		776	503
6	Investments		
	Investments in group entities, net asset value	551,630	601,672
		551,630	601,672
	Total fixed assets	552,406	602,175
	Non-fixed assets		
	Receivables		
	Receivables from group entities	152,431	154,112
	Deferred tax assets	77	173
	Other receivables	881	919
	Deferred income	932	937
		154,321	156,141
	Cash	197,449	104,712
	Total non-fixed assets	351,770	260,853
	TOTAL ASSETS	904,176	863,028

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2016	2015
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	1,500	1,500
	Net revaluation reserve according to the equity method	743	50,208
	Retained earnings	661,703	548,607
	Total equity	663,946	600,315
	Liabilities		
	Current liabilities		
	Trade payables	221	183
	Payables to group entities	56,396	21,399
	Payables to group entities, cash-pool	177,195	237,229
	Income taxes payable	3,371	714
	Other payables	3,047	3,188
		240,230	262,713
	Total liabilities other than provisions	240,230	262,713
	TOTAL EQUITY AND LIABILITIES	904,176	863,028

1 Accounting policies
7 Contractual obligations and contingencies, etc.
8 Related parties

Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK'000	Share capital	Net revaluation reserve according to the equity method	Retained earnings	Total
Equity at 1 January 2016	1,500	50,208	548,607	600,315
Profit for the year	0	62,095	1,929	64,024
Exchange adjustment	0	0	-393	-393
Distributed dividend from group enterprises	0	-111,560	111,560	0
Equity at 31 December 2016	1,500	743	661,703	663,946

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Arrow ECS Nordic A/S for 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

According to section 112(1) of the Danish Financial Statments Act, no consolidated financial statments have been prepared. The financial statments af Arrow ECS Nordic A/S and its group enterprises are included in the consolidated financial statments of Arrow Electronic Inc.

Changes to presentation and disclosures only

Effective 1 January 2016, the Company has implemented act no. 738 of 1 June 2015 with amendments to the Danish Financial Statements Act. As the implementation of the amendment act has no impact in terms of value on the income statement or the balance sheet in the financial year, nor on the comparative figures, the financial statements have been prepared based on the same accounting policies as last year.

The amendment act has solely implied new or changed presentation and disclosure requirements, which have been incorporated in the financial statements.

Cash-pools have previous years been presented as cash. Given the nature of the Group's cash pool arrangement, cash pool balances are not considered cash, but are recognised under 'Payables to group entities, cash-pool'. Comparitive figures have been restated accordingly, DKK 237,229 thousand.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Foreign group entities

Foreign subsidiaries and associates are considered separate entities. Items in such entities' income statements are translated at an average exchange rate for the month, and balance sheet items are translated at closing rates. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries to closing rates and on translation of the income statements from average exchange rates to closing rates are taken directly to equity.

Leases

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Revenue

Income from the rendering of services is recognised as revenue as the services are rendered. Accordingly, revenue corresponds to the market value of the services rendered during the year (percentage-of-completion method).

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Gross margin

The items revenue, change in inventories of finished goods and work in progress, work performed for own account and capitalised, other operating income and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Depreciation

The item comprises depreciation of property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Other fixtures and fittings, tools and equipment	3-5 years

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Income from investments in group entities

The item includes the Company's proportionate share of the profit/loss for the year in subsidiaries after elimination of intra-group income or losses and net of amortisation and impairment of goodwill and other excess values at the time of acquisition.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company and its Danish group entities are jointly taxed. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Investments in subsidiaries

Investments in subsidiaries are measured, using the equity method, at the parent's proportionate share of such entities' equity plus goodwill on consolidation and intra-group losses and less intra-group gains and negative goodwill, if any. Investments in entities whose net asset value is negative are measured at DKK 0. The entity's proportionate share of a deficit on equity, if any, is set off against receivables from the investment in so far as the deficit is irrecoverable. Amounts in excess thereof are recognised under 'Provisions' in so far as the parent has a legal or constructive obligation to cover the deficit.

Newly acquired or formed entities are recognised in the financial statements from the date of acquisition or formation. Entities sold or otherwise disposed of are recognised up to the date of disposal.

Corporate acquisitions are accounted for using the purchase method according to which the acquired entity's identifiable assets and liabilities are measured at fair value at the date of acquisition. In connection with the acquisition, a provision is made for expenses related to adopted plans to restructure the acquired entity. The tax effect of revaluations made is taken into account.

Consolidated goodwill is amortised over its estimated economic life, determined on the basis of management's assessment that the assets are strategic investments and its expectations as to future cash flows. The amortisation period is 10-20 years.

Impairment of non-current assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Given the nature of the Group's cash pool arrangement, cash pool balances are not considered cash, but are recognised under "Payables to group entities".

Equity

Reserve for net revaluation according to the equity method

The net revaluation reserve according to the equity method includes net revaluations of investments in subsidiaries relative to cost. The reserve can be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Other payables

Other payables are measured at net realisable value.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK'000	2016	2015
2 Staff costs		
Wages/salaries	9,408	8,477
Pensions	497	466
Other social security costs	90	118
Other staff costs	380	296
	10,375	9,357

	2016	2015
Average number of full-time employees	17	15

DKK'000	2016	2015
3 Financial income		
Interest receivable, group entities	3,431	2,006
Other financial income	974	82
	4,405	2,088
4 Tax for the year		
Estimated tax charge for the year	2,657	196
Deferred tax adjustments in the year	95	71
	2,752	267

The estimated tax charge for the year includes tax refunds paid, totalling DKK 2,657 thousand, between jointly taxed entities.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

5 Property, plant and equipment

DKK'000	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2016	21,124	1,580	22,704
Additions in the year	707	0	707
Disposals in the year	-11,233	0	-11,233
Cost at 31 December 2016	10,598	1,580	12,178
Impairment losses and depreciation at 1 January 2016	20,624	1,577	22,201
Depreciation in the year	269	3	272
Reversal of depreciation of disposals	-11,071	0	-11,071
Impairment losses and depreciation at 31 December 2016	9,822	1,580	11,402
Carrying amount at 31 December 2016	776	0	776

6 Investments

DKK'000	Investments in group entities, net asset value
Cost at 1 January 2016	550,887
Cost at 31 December 2016	550,887
Value adjustments at 1 January 2016	50,785
Exchange adjustment	-577
Dividend distributed	-111,560
Share of the profit/loss for the year	68,172
Other adjustments, investments	253
Goodwill amortisation, investments	-6,330
Value adjustments at 31 December 2016	743
Carrying amount at 31 December 2016	551,630

Name	Legal form	Domicile	Interest
Subsidiaries			
Arrow ECS Denmark A/S	Aktieselskab	Aarhus	100.00 %
Arrow ECS Sweden AB	Aktieselskab	Stockholm	100.00 %
Arrow ECS Finland OY	Aktieselskab	Helsinki	100.00 %
Arrow ECS Norge AS	Aktieselskab	Oslo	100.00 %
Arrow ECS Baltic OÜ	Aktieselskab	Tallinn	100.00 %

Financial statements for the period 1 January - 31 December

Notes to the financial statements

7 Contractual obligations and contingencies, etc.

Other contingent liabilities

The Company is jointly taxed with Arrow Electronics Danish Holdings ApS, which acts as management company, and has limited and alternative liability together with other jointly taxed group entities for payment of income taxesas well as withholding taxes on interest, royalties and dividends.

Other financial obligations

Other rent and lease liabilities:

DKK'000	2016	2015
Rent and lease liabilities	1,991	2,648

Rent and lease liabilities include a rent obligation totalling DKK 690 thousand in interminable rent agreements with remaining contract terms of 4 years. Furthermore, the company has liabilities under operating leases for cars and IT equipment, totalling DKK 1,301 thousand, with remaining contract terms of 1-3 years.

8 Related parties

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Arrow Electronics Inc.	Denver, Colorado, USA	http://investor.arrow.com/phoenix.zhtml?c=85834&p=irol-sec&control_selectgroup=Annual%20Filings
Arrow Electronics EMAESA S.r.l	Milan, Italy	Viale Fulvio Testi, 280, Milan, 20126, Italy