Arrow ECS Nordic A/S

Jens Juuls Vej 42, 8260 Viby J

CVR no. 12 27 41 81

Annual report 2017

Approved at the Company's annual general meeting on

Chairman:

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Contents

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 2017.

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 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017.

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, 16 May 2018
Executive Board:

Henrik Resting-Jeppesen	Jens Skovsgaard Hornum

Board of Directors:

Christopher David Stansbury Chairman	Gregory Paul Tarpinian Vice-Chairman	Eric Claude Nowak
Jens Skovsgaard Hornum	Henrik Resting-Jeppesen	

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 2017, which comprise 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 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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 as to 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 scepticism 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 conclusions are 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 the 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 the work we have performed, 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, 16 May 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Henrik Andersen
State Authorised Public Accountant
MNE no.: mne32084

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	Christopher David Stansbury, Chairman Gregory Paul Tarpinian, Vice-Chairman Eric Claude Nowak Jens Skovsgaard Hornum Henrik Resting-Jeppesen
Executive Board	Henrik Resting-Jeppesen 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

Business review

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

Financial review

The income statement for 2017 shows a profit of DKK 67,895 thousand against a profit of DKK 64,024 thousand last year, and the balance sheet at 31 December 2017 shows equity of DKK 716,642 thousand.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2017	2016
	Gross margin	12,924	13,367
2	Staff costs	-11,828	-10,375
	Depreciation of property, plant and equipment	-113	-272
	Other operating expenses	-335	-162
	Profit before net financials	648	2,558
	Income from investments in group entities	65,262	62,095
3	Financial income	4,495	4,405
	Financial expenses	-520	-2,282
	Profit before tax	69,885	66,776
4	Tax for the year	-1,990	-2,752
	Profit for the year	67,895	64,024

	2017	2016
Recommended appropriation of profit		
Net revaluation reserve according to the equity method	65,262	62,095
Retained earnings	2,633	1,929
	67,895	64,024

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2017	2016
	ASSETS		
	Fixed assets		
5	**Property, plant and equipment**		
	Other fixtures and fittings, tools and equipment	723	776
	Leasehold improvements	0	0
		723	776
6	**Investments**		
	Investments in group entities, net asset value	601,606	551,630
		601,606	551,630
	Total fixed assets	602,329	552,406
	Non-fixed assets		
	Receivables		
	Receivables from group entities	152,437	152,431
	Deferred tax assets	59	77
	Other receivables	109	881
	Deferred income	900	932
		153,505	154,321
	Cash	196,287	197,449
	Total non-fixed assets	349,792	351,770
	TOTAL ASSETS	952,121	904,176

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2017	2016
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	1,500	1,500
	Net revaluation reserve according to the equity method	50,719	743
	Retained earnings	664,423	661,703
	Total equity	716,642	663,946
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	121	221
	Payables to group entities	44,849	56,396
	Payables to group entities, cash-pool	184,740	177,195
	Income taxes payable	3,667	3,371
	Other payables	2,102	3,047
		235,479	240,230
	Total liabilities other than provisions	235,479	240,230
	TOTAL EQUITY AND LIABILITIES	952,121	904,176

1 Accounting policies
7 Contractual obligations and contingencies, etc.
8 Collateral
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Financial statements 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 2017	1,500	743	661,703	663,946
Transfer through appropriation of profit	0	65,262	2,633	67,895
Exchange adjustment	0	-4,028	87	-3,941
Other value adjustments of equity	0	-11,258	0	-11,258
Equity at 31 December 2017	1,500	50,719	664,423	716,642

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Arrow ECS Nordic A/S for 2017 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.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

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 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 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 subsidiaries

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries.

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 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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Impairment of fixed 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).

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".

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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 1 January - 31 December

Notes to the financial statements

	DKK'000	2017	2016
2	**Staff costs**		
	Wages/salaries	10,875	9,408
	Pensions	431	497
	Other social security costs	112	90
	Other staff costs	410	380
		11,828	10,375
	Average number of full-time employees	16	17
3	**Financial income**		
	Interest receivable, group entities	3,422	3,431
	Other financial income	1,073	974
		4,495	4,405
4	**Tax for the year**		
	Estimated tax charge for the year	1,971	2,657
	Deferred tax adjustments in the year	19	95
		1,990	2,752

The estimated tax charge for the year includes tax refunds paid, totalling DKK 1,971 thousand, between jointly taxed entities.

5 **Property, plant and equipment**

DKK'000	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2017	11,086	1,091	12,177
Additions in the year	395	0	395
Disposals in the year	-348	-745	-1,093
Cost at 31 December 2017	11,133	346	11,479
Impairment losses and depreciation at 1 January 2017	10,310	1,091	11,401
Depreciation in the year	113	0	113
Reversal of depreciation of disposals	-13	-745	-758
Impairment losses and depreciation at 31 December 2017	10,410	346	10,756
Carrying amount at 31 December 2017	723	0	723

Financial statements 1 January - 31 December

Notes to the financial statements

6 Investments

DKK'000	Investments in group entities, net asset value
Cost at 1 January 2017	550,887
Cost at 31 December 2017	550,887
Value adjustments at 1 January 2017	743
Exchange adjustment	-4,029
Share of the profit/loss for the year	71,339
Equity adjustments, investments	-11,258
Other adjustments, investments	254
Goodwill amortisation, investments	-6,330
Value adjustments at 31 December 2017	50,719
Carrying amount at 31 December 2017	601,606

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

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	2017	2016
Rent and lease liabilities	1,236	1,991

Rent and lease liabilities include a rent obligation totalling DKK 510 thousand in interminable rent agreements with remaining contract terms of 3 years. Furthermore, the company has liabilities under operating leases for cars and IT equipment, totalling DKK 726 thousand, with remaining contract terms of up to 2 years.

Financial statements 1 January - 31 December

Notes to the financial statements

8 Collateral

The Company has issued a surityship for a subsidiary's debt to banks, at a max. of NOK 5,354 thousand.

9 Related parties

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Arrow Electronics Inc.	Denver, Colorado, USA	https://www.arrow.com/en/media-center/annual-report-2017
Arrow Electronics EMAESA S.r.l	Milan, Italy	Viale Fulvio Testi, 280,Milan, 20126, Italy