Arrow ECS Denmark A/S

Jens Juuls Vej 42, 8260 Viby J

CVR no. 28 10 10 82

Annual report 2017

Approved at the Company's annual general meeting on 16 MAY 2018

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 Denmark 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 and cash flows for the financial year 1 January - 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

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

Aarhus, 16 May 2018
Executive Board:

Henrik Resting-Jeppesen

Board of Directors:

Christopher David Stansbury Chairman	Gregory Paul Tarpinian	Annelie Hjernø Hansen
Jens Skovsgaard Hornum	Henrik Resting-Jeppesen	

Independent auditor's report

To the shareholder of Arrow ECS Denmark A/S

Opinion

We have audited the financial statements of Arrow ECS Denmark A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement 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 as well as the cash flows 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 Denmark A/S
Address, Postal code, City	Jens Juuls Vej 42, 8260 Viby J
CVR no.	28 10 10 82
Established	23 August 2004
Registered office	Aarhus
Financial year	1 January - 31 December
Website	www.arrowecs.dk
Board of Directors	Christopher David Stansbury, Chairman Gregory Paul Tarpinian Annelie Hjernø Hansen Jens Skovsgaard Hornum Henrik Resting-Jeppesen
Executive Board	Henrik Resting-Jeppesen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25, P.O. Box 330, 8100 Aarhus C, Denmark
Bankers	Nordea Bank Danmark A/S Bank Mendes Gans N.V., MP Banki

Management's review

Financial highlights

DKK'000	2017	2016	2015	2014	2013
Key figures					
Revenue	2,137,597	2,289,392	2,305,498	2,080,762	1,824,006
Gross margin	156,296	161,037	161,376	149,649	139,970
Operating profit/loss	65,480	72,619	71,928	59,556	54,678
Net financials	-687	2,302	7,011	2,072	883
Profit/loss for the year	**50,851**	**59,125**	**61,310**	**46,492**	**39,691**
Total assets	1,307,778	1,035,759	1,217,352	1,359,044	1,042,466
Investment in property, plant and equipment	-1,128	-1,164	-3,396	-4,887	-5,115
Equity	**341,396**	**290,545**	**231,420**	**390,111**	**343,619**
Financial ratios					
Operating margin	3.1%	3.2%	3.1%	2.9 %	3.0 %
Gross margin	7.3%	7.0%	7.0%	7.2%	7.7%
Return on assets	5.6%	6.4%	5.6%	5.0%	5.3%
Solvency ratio	26.1%	28.1%	19.0%	28.7%	33.0%
Return on equity	16.1%	22.7%	19.7%	12.7%	12.3%
Average number of employees	125	129	127	128	119

Management's review

Business review

As in prior years, the Company's main activities were sales of IT infrastructure and related software and consultancy services to businesses in the Nordic area.

Focus areas are cloud, hosting, middleware, mobility, virtualisation, access infrastructure, network & security and server & storage.

The Company combines its cutting-edge technical competences within the above areas with a wide range of value-adding services, covering everything from market and competitor analysis to product positioning, marketing, technical support and training, to offer complete solutions that contribute to enhancing the growth potential of producers as well as resellers.

The Company cooperates with a large number of the world's largest and most innovative IT producers, carefully selected based on the clout and market potential of their products.

Financial review

In 2017, the Company's revenue amounted to DKK 2,137,597 thousand against DKK 2,289,392 thousand last year. . The income statement for 2017 shows a profit of DKK 50,851 thousand against a profit of DKK 59,125 thousand last year, and the balance sheet at 31 December 2017 shows equity of DKK 341,396 thousand.

In 2017, the Company's revenue amounted to DKK 2,137,597 thousand against DKK 2,289,392 thousand last year. The decline in revenue are mainly related to the shift we see in the general IT market where a larger and larger part of our normal product sales swift to a Cloud/consumption IT delivery in our ArrowSphere system (recurring revenue). The income statement for 2017 shows a profit of DKK 50,851 thousand against a profit of DKK 59,125 thousand last year, and the balance sheet at 31 December 2017 shows equity of DKK 341,396 thousand.

Non-financial matters

Knowledge resources

Massive investments have been made to create one of the country's most powerful competence centres within IT products, market conditions, support and training.

Ongoing training and competence development ensure that we always hold cutting-edge competence within all areas.

Special risks

As stated in the annual report for 2016, the Company's foreign activities mean that results, cash flows and equity are affected by exchange and interest rate developments for a number of currencies. It is part of the company's policy to hedge commercial currency risks, and forward exchange contracts were entered into from time to time for such purposes.

As interest-bearing net debts are insignificant and moderate interest rate changes will therefore not have any significant direct effect on earnings. Accordingly, the Company does not hedge interest rate risks.

Impact on the external environment

The Company complies with all public requirements in relation to destruction of packaging and obsolete products and maintains positive relationships with the supervisory authorities.

Research and development activities

In 2017, the Company continued to develop and optimise the platform commissioned for Cloud services called ArrowSphere. The system are well received in market and we see increasing billings and activity in the platform.

Management's review

Statutory CSR report

The Company has not established any independent social responsibility policies, including climate and human rights, but is covered by the parent company's policies. The parent company, Arrow Electronics Inc., is a participant in the United Nations Global Compact and has prepared a progress report.

The report was published at the website:
https://www.arrow.com/en/about-arrow/corporate-social-responsibility
to which reference is made.

Account of the gender composition of Management

The Board of Directors targets a representation of the underrepresented sex in the supervisory board of 20%. The 20% target are meet by end-2017. During the current year, there has been changes in the Board according to group guidelines.
Management has also adopted a group guideline to increase the share of the underrepresented sex at other managerial levels, including department managers and team leaders. The guideline lays down the framework for individual managers' career development, including mentoring schemes, as well as internal targets for the underrepresented gender's share of managerial positions. The guideline also lays down targets for recruiting and retention of female managers. The Company has launched the following specific measures to increase the share of the underrepresented sex:
- Individual career planning support
- Mentoring schemes
- A staff policy that promotes equal career opportunities for men and women
- Recruitment procedures that contribute to ensuring equal opportunities for men and women

Based on these measures, the Company expects the share of the underrepresented sex at other managerial levels than the board to go up.
The target for other managerial positions is 35-40% by end 2018. The share of the underrepresented sex end 2017 is 35% which is in line with our target.

Events after the balance sheet date

No events have occurred after the financial year end which could significantly affect the Company's financial position.

Outlook

For 2018, a small increase in profit compared to 2017 are expected.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2017	2016
2	**Revenue**	2,137,597	2,289,392
	Cost of sales	-1,949,169	-2,090,019
	Other external expenses	-32,132	-38,336
	Gross margin	156,296	161,037
3	Staff costs	-87,580	-84,231
	Amortization/depreciation of intangible assets and property, plant and equipment	-3,236	-4,181
	Other operating expenses	0	-6
	Profit before net financials	65,480	72,619
	Income from investments in group entities	518	847
	Financial income	2,104	4,630
	Financial expenses	-2,791	-2,328
	Profit before tax	65,311	75,768
4	Tax for the year	-14,460	-16,643
	Profit for the year	50,851	59,125

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2017	2016
	ASSETS		
	Fixed assets		
5	**Intangible assets**		
	Goodwill	2,925	4,046
		2,925	4,046
6	**Property, plant and equipment**		
	Other fixtures and fittings, tools and equipment	977	2,325
	Leasehold improvements	2,076	1,714
		3,053	4,039
7	**Investments**		
	Investments in group entities, net asset value	5,749	5,231
		5,749	5,231
	Total fixed assets	11,727	13,316
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	106,512	86,358
		106,512	86,358
9	**Receivables**		
	Trade receivables	658,565	630,943
	Receivables from group entities	62,749	64,819
	Receivables from group entities, cash-pool	448,965	224,933
	Joint taxation contribution receivable	266	0
	Other receivables	3,331	960
8	Deferred income	13,946	6,204
		1,187,822	927,859
	Cash	1,717	8,226
	Total non-fixed assets	1,296,051	1,022,443
	TOTAL ASSETS	1,307,778	1,035,759

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2017	2016
	EQUITY AND LIABILITIES		
	Equity		
10	Share capital	1,000	1,000
	Net revaluation reserve according to the equity method	23	0
	Retained earnings	340,373	289,545
	Total equity	341,396	290,545
	Provisions		
11	Deferred tax	119	392
	Total provisions	119	392
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Bank debt	73,684	0
	Trade payables	789,038	648,620
	Payables to group entities	944	5,046
	Other payables	102,597	91,156
		966,263	744,822
	Total liabilities other than provisions	966,263	744,822
	TOTAL EQUITY AND LIABILITIES	1,307,778	1,035,759

1 Accounting policies
12 Contractual obligations and contingencies, etc.
13 Collateral
14 Related parties
15 Fee to the auditors appointed by the Company in general meeting

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Net revaluation reserve according to the equity method	Retained earnings	Total
	Equity at 1 January 2017	1,000	0	289,545	290,545
16	Transfer, see "Appropriation of profit"	0	23	50,828	50,851
	Equity at 31 December 2017	1,000	23	340,373	341,396

Financial statements 1 January - 31 December

Cash flow statement

Note	DKK'000	2017	2016
	Profit for the year	50,851	59,125
17	Adjustments	17,865	17,681
	Cash generated from operations (operating activities)	68,716	76,806
18	Changes in working capital	94,072	-23,279
	Cash generated from operations (operating activities)	162,788	53,527
	Interest received, etc.	2,104	4,630
	Interest paid, etc.	-2,791	-2,328
	Income taxes paid	-17,134	-18,992
	Cash flows from operating activities	144,967	36,837
	Additions of property, plant and equipment	-1,128	-1,164
	Cash flows to investing activities	-1,128	-1,164
	Repayments, long-term liabilities	0	-1,824
	Cash flows from financing activities	0	-1,824
	Net cash flow	143,839	33,849
	Cash and cash equivalents at 1 January	233,159	199,310
19	**Cash and cash equivalents at 31 December**	376,998	233,159

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Arrow ECS Denmark A/S for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements are prepared. The financial statements of Arrow ECS Denmark A/S and its group entities are part of the consolidated financial statements of Arrow Electronics 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.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in "Other receivables" and "Other payables", respectively.

Fair value adjustments of derivative financial instruments designated as and qualifying for hedging of future assets or liabilities are recognised in other receivables or other payables, respectively, and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects the profit/loss for the year.

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".

Income statement

Revenue

Income from the sale of goods for resale and finished goods is recognised in revenue at the time of delivery and when the risk passes to the buyer, provided that the income can be made up reliably and is expected to be received.

Revenue is measured net of all types of discounts/rebates granted. Also, revenue is measured net of VAT and other indirect taxes charged on behalf of third parties.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the Company's core activities, including losses on the sale of fixed assets.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

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.

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

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

Goodwill	9-20 years

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
Leasehold improvements	3-10 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 entity is jointly taxed with other group entities. 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

Intangible assets

Goodwill is amortised over the expected economic lifespan, measured by reference to an assessment of, among other factors, the nature and market position of the business, the stability of the industry and the dependence on key staff. The amortisation period is 9-20 years for strategically acquired companies with a strong market position and long-range earnings profile.

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

Equity investments in subsidiaries and associates are measured according to the equity method.

On initial recognition, equity investments in subsidiaries are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deduced from the carrying amount.

Equity investments in subsidiaries measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

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).

Financial statements 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.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other expenses directly attributable to the acquisition.

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 "Receivables from 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 and associates 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.

Cash flow statement

The cash flow statement shows the Company's net cash flows broken down according to operating, investing and financing activities, the year's changes in cash and cash equivalents as well as the cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non cash operating items, changes in working capital and paid corporate income tax.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related expenses as well as raising of loans, repayment of interest bearing debt and payment of dividends to shareholders.

Cash and cash equivalents comprise cash, short term bank loans and short term securities which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

Segment information

The allocation of revenue to activities and geographical markets is disclosed where these activities and markets differ significantly in the organisation of sales of goods and services.

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios.

Financial statements 1 January - 31 December

Notes to the financial statements

2 Segment information

The Company has not disclosed the breakdown of revenue by geographical and business segmentat, see section 96(1) of the Danish Financial Statements Act, as Management is of the opinion that its activities is one segment.

	DKK'000	2017	2016
3	**Staff costs**		
	Wages/salaries	80,472	76,870
	Pensions	3,233	2,998
	Other social security costs	837	862
	Other staff costs	3,038	3,501
		87,580	84,231

	2017	2016
Average number of full-time employees	125	129

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.

4	**Tax for the year**		
	Estimated tax charge for the year	14,734	16,868
	Deferred tax adjustments in the year	-274	-225
		14,460	16,643

The estimated tax charge for the year includes tax refunds paid, totalling DKK 14,729 thousand, between jointly taxed entities.

5 Intangible assets

DKK'000	Goodwill
Cost at 1 January 2017	19,593
Cost at 31 December 2017	19,593
Impairment losses and amortisation at 1 January 2017	15,547
Amortization in the year	1,121
Impairment losses and amortisation at 31 December 2017	16,668
Carrying amount at 31 December 2017	2,925

Financial statements 1 January - 31 December

Notes to the financial statements

6 Property, plant and equipment

DKK'000	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2017	20,746	6,642	27,388
Additions in the year	200	928	1,128
Disposals in the year	-2,718	0	-2,718
Cost at 31 December 2017	18,228	7,570	25,798
Impairment losses and depreciation at 1 January 2017	18,421	4,928	23,349
Depreciation in the year	1,548	566	2,114
Reversal of depreciation of disposals	-2,718	0	-2,718
Impairment losses and depreciation at 31 December 2017	17,251	5,494	22,745
Carrying amount at 31 December 2017	977	2,076	3,053

7 Investments

DKK'000	Investments in group entities, net asset value
Cost at 1 January 2017	5,726
Cost at 31 December 2017	5,726
Value adjustments at 1 January 2017	-495
Share of the profit/loss for the year	518
Value adjustments at 31 December 2017	23
Carrying amount at 31 December 2017	5,749

Name	Legal form	Domicile	Interest
Subsidiaries			
IPVista A/S	Aktieselskab	Aarhus, Denmark	100.00%

8 Deferred income

Prepayments include accrual of expenses relating to subsequent financial years, including rent and insurance policies.

9 Receivables

Out of the Company's total receivables, trade receivables totalling DKK 7,930 thousand fall due for payment after more than one year after the balance sheet date.

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2017	2016
10 Share capital		
Analysis of the share capital:		
1,000,000 shares of DKK 1.00 nominal value each	1,000	1,000
	1,000	1,000

11 Deferred tax

	2017	2016
Deferred tax at 1 January	392	618
Deferred tax adjustment in the year, income statement	-268	-226
Other deferred tax	-5	0
Deferred tax at 31 December	119	392
Deferred tax relates to:		
Intangible assets	643	890
Property, plant and equipment	-922	-974
Receivables	398	476
	119	392

12 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 is jointly and severally liable with other jointly taxed group entities for payment of income taxes as 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	9,838	13,592

Rent and lease liabilities include a rent obligation totalling DKK 7,820 thousand in interminable rent agreements with remaining contract terms of up to 3 years. Furthermore, the Company has liabilities under operating leases for cars and IT equipment, totalling DKK 2,018 thousand, with remaining contract terms of up to 3 years.

13 Collateral

As security for the Company's debt to credit institutions, the Company has placed a company charge of DKK 13,300 thousand in the Company's inventories of raw materials, semi-finished and finished products with a carrying amount of DKK 86,441 thousand.

Financial statements 1 January - 31 December

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14 Related parties

Arrow ECS Denmark A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Arrow ECS Nordic A/S	Viby J, Denmark	Parent company
Arrow Electronics Inc.	Denver, Colorado, USA	Ultimate parent company

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

Related party transactions

Arrow ECS Denmark A/S was engaged in the below related party transactions:

DKK'000	2017	2016
Inter-Company Cost Of Sales	2,789	5,796
Staff allocation in	2,359	1,997
Cost recharge in	7,034	7,196
Cost recharge out	23,152	25,381
Intercompany receivables	62,749	64,819
Intercompany payables	944	4,128

15 Fee to the auditors appointed by the Company in general meeting

Audit fees are not disclosed with reference to section 96(3) of the Danish Financial Statements Act.

DKK'000	2017	2016
16 Appropriation of profit		
Recommended appropriation of profit		
Net revaluation reserve according to the equity method	23	0
Retained earnings	50,828	59,125
	50,851	59,125

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2017	2016
17 Adjustments		
Amortisation/depreciation and impairment losses	3,235	4,182
Gain/loss on the sale of non-current assets	0	6
Income from investments in group entities	-518	-847
Financial income	-2,104	-4,630
Financial expenses	2,791	2,328
Tax for the year	14,460	16,643
Other adjustments	1	-1
	17,865	17,681
18 Changes in working capital		
Change in inventories	-83	43,902
Change in receivables	-33,531	171,488
Change in trade and other payables	127,686	-238,669
	94,072	-23,279
19 Cash and cash equivalents at year-end		
Cash according to the balance sheet	1,717	8,226
Short-term debt to banks	-73,684	0
Group cash-pool (presented as 'Receivables from group entities')	448,965	224,933
	376,998	233,159