Arrow ECS Denmark A/S

Jens Juuls Vej 42, 8260 Viby J

CVR no. 28 10 10 82

Annual report 2016

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

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 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 and cash flows for the financial year 1 January - 31 December 2016.

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, 25 April 2017
Executive Board:

Henrik Resting-Jeppesen

Board of Directors:

Jørgen Winther Pedersen Chairman	Henrik Resting-Jeppesen	Jens Skovsgaard Hornum

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 2016, which comprise an 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 2016 and of the results of the Company's operations as well as the cash flows 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
State Authorised Public Accountant

Keld A. M. Nielsen
State Authorised Public Accountant

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	Jørgen Winther Pedersen, Chairman Henrik Resting-Jeppesen Jens Skovsgaard Hornum
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	2016	2015	2014	2013	2012
Key figures					
Revenue	2,289,392	2,305,498	2,080,762	1,824,006	1,801,757
Gross margin	161,037	161,376	149,649	139,970	137,712
Operating profit/loss	72,619	71,928	59,556	54,678	51,928
Net financials	2,302	7,011	2,072	883	747
Profit/loss for the year	59,125	61,310	46,492	39,691	38,589
Total assets	1,035,758	1,217,352	1,359,044	1,042,466	1,024,190
Investment in property, plant and equipment	-1,164	-3,396	-4,887	-5,115	-3,126
Equity	290,545	231,420	390,111	343,619	303,928
Financial ratios					
Operating margin	3.2%	3.1%	2.9%	3.0 %	2.9 %
Gross margin	7.0%	7.0%	7.2%	7.7%	7.6%
Return on assets	6.4%	5.6%	5.0%	5.3%	5.5%
Solvency ratio	28.1%	19.0%	28.7%	33.0%	29.7%
Return on equity	22.7%	19.7%	12.7%	12.3%	13.6%
Average number of employees	129	127	128	119	121

Management's review

Management commentary

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 safety, mobility, virtualisation, access infrastructure 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 distributors.

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

The Company's income statement for the year ended 31 December 2016 shows a profit of DKK 59,125 thousand, and the balance sheet at 31 December 2016 shows equity of DKK 290,545 thousand.

Revenue for 2016 are in line with 2015. Trade receivables and trade payables decreased compared to last year and are considered reasonable.

Management considers the profit for the year satisfactory even though a small decline compared to the estimated development in the previous financial statements. The small decline can be explained by an increased competitive situation.

Management's review

Management commentary

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 2016, the Company continued to develop and optimise the platform commissioned for Cloud services called ArrowSphere

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 on 16 December 2015 at the website:
https://www.arrow.com/en/about-arrow/corporate-social-responsibility,
to which reference is made.

Management's review

Management commentary

Account of the gender composition of Management

The Board of Directors targets a representation of the underrepresented sex in the supervisory board of 20% and works to meet this target by end-2017. At present, the underrepresented sex makes up 0% of the directors elected by the general meeting. During the current year, there has not been any changes in the Board. The Company are currently working on selecting new board members according to group guidelines and expect this process to be finish before year end 2017.

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 30-35% by end-2017. The share of the underrepresented sex is unchanged in 2016.

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 2017, a small decline in profit compared to 2016 are expected.

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK'000	2016	2015
2	Revenue	2,289,392	2,305,498
	Cost of sales	-2,090,019	-2,105,539
	Other operating income	0	166
	Other external expenses	-38,336	-38,749
	Gross margin	161,037	161,376
3	Staff costs	-84,231	-83,665
	Amortization/depreciation of intangible assets and property, plant and equipment	-4,181	-5,783
	Other operating expenses	-6	0
	Profit before net financials	72,619	71,928
	Income from investments in group entities	847	1,145
	Financial income	4,630	9,362
	Financial expenses	-2,328	-2,351
	Profit before tax	75,768	80,084
4	Tax for the year	-16,643	-18,774
	Profit for the year	59,125	61,310

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2016	2015
	ASSETS		
	Fixed assets		
5	Intangible assets		
	Goodwill	4,046	5,168
		4,046	5,168
6	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	2,325	3,892
	Leasehold improvements	1,713	2,048
		4,038	5,940
7	Investments		
	Investments in group entities, net asset value	5,231	4,384
	Other receivables	0	1,891
		5,231	6,275
	Total fixed assets	13,315	17,383
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	86,358	130,260
		86,358	130,260
9	Receivables		
	Trade receivables	630,943	815,440
	Receivables from group entities	64,819	52,507
	Receivables from group entities, cash-pool	224,933	198,125
	Other receivables	960	795
8	Deferred income	6,204	1,657
		927,859	1,068,524
	Cash	8,226	1,185
	Total non-fixed assets	1,022,443	1,199,969
	TOTAL ASSETS	1,035,758	1,217,352

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2016	2015
	EQUITY AND LIABILITIES		
	Equity		
10	Share capital	1,000	1,000
	Retained earnings	289,545	230,420
	Total equity	290,545	231,420
	Provisions		
11	Deferred tax	392	618
	Total provisions	392	618
	Liabilities		
	Current liabilities		
	Current portion of long-term liabilities	0	1,824
	Trade payables	648,619	889,681
	Payables to group entities	5,046	5,298
	Other payables	91,156	88,511
		744,821	985,314
	Total liabilities other than provisions	744,821	985,314
	TOTAL EQUITY AND LIABILITIES	1,035,758	1,217,352

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 for the period 1 January - 31 December

Statement of changes in equity

	DKK'000	Share capital	Retained earnings	Total
	Equity at 1 January 2016	1,000	230,420	231,420
16	Profit for the year	0	59,125	59,125
	Equity at 31 December 2016	1,000	289,545	290,545

Financial statements for the period 1 January - 31 December

Cash flow statement

Note	DKK'000	2016	2015
	Profit for the year	59,125	61,310
17	Adjustments	17,681	16,236
	Cash generated from operations (operating activities)	76,806	77,546
18	Changes in working capital	-23,279	130,592
	Cash generated from operations (operating activities)	53,527	208,138
	Interest received, etc.	4,630	9,362
	Interest paid, etc.	-2,328	-2,351
	Income taxes paid	-18,992	-17,058
	Cash flows from operating activities	36,837	198,091
	Additions of property, plant and equipment	-1,164	-3,396
	Disposals of property, plant and equipment	0	318
	Cash flows to investing activities	-1,164	-3,078
	Dividends distributed	0	-220,000
	Repayments, long-term liabilities	-1,824	-1,753
	Cash flows from financing activities	-1,824	-221,753
	Net cash flow	33,849	-26,740
	Cash and cash equivalents at 1 January	199,310	226,050
19	Cash and cash equivalents at 31 December	233,159	199,310

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Arrow ECS Denmark A/S for 2016 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.

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 'Receivables from group entities, cash-pool'. Comparitive figures have been restated accordingly, DKK 198,125 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.

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 for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Other operating income and operating expenses

Other operating income and operating expenses comprise items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of non-current 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 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 entity is jointly taxed with other subsidiaries. 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

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.

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.

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

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.

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 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.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities 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 statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating margin $$\frac{\text{Operating profit x 100}}{\text{Revenue}}$$

Gross margin ratio $$\frac{\text{Gross margin x 100}}{\text{Revenue}}$$

Return on assets $$\frac{\text{Profit/loss from operating activites x 100}}{\text{Average assets}}$$

Solvency ratio $$\frac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$$

Return on equity $$\frac{\text{Profit/loss for the year after tax x 100}}{\text{Average equity}}$$

Financial statements for the period 1 January - 31 December

Notes to the financial statements

2 Segment information

The Company has not performed a segmentation of revenue as it considers its activities as one segment.

DKK'000	2016	2015
3 Staff costs		
Wages/salaries	76,870	76,536
Pensions	2,998	2,922
Other social security costs	862	861
Other staff costs	3,501	3,346
	84,231	83,665

	2016	2015
Average number of full-time employees	129	127

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

DKK'000	2016	2015
4 Tax for the year		
Estimated tax charge for the year	16,868	18,992
Deferred tax adjustments in the year	-225	-218
	16,643	18,774

The estimated tax charge for the year includes tax refunds paid, totalling DKK 16,868 thousand, between jointly taxed entities.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

5 Intangible assets

DKK'000	Goodwill
Cost at 1 January 2016	19,593
Cost at 31 December 2016	19,593
Impairment losses and amortisation at 1 January 2016	14,425
Amortization in the year	1,122
Impairment losses and amortisation at 31 December 2016	15,547
Carrying amount at 31 December 2016	4,046

6 Property, plant and equipment

DKK'000	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2016	22,149	6,514	28,663
Additions in the year	984	180	1,164
Disposals in the year	-2,387	-53	-2,440
Cost at 31 December 2016	20,746	6,641	27,387
Impairment losses and depreciation at 1 January 2016	18,257	4,466	22,723
Depreciation in the year	2,545	515	3,060
Reversal of depreciation of disposals	-2,381	-53	-2,434
Impairment losses and depreciation at 31 December 2016	18,421	4,928	23,349
Carrying amount at 31 December 2016	2,325	1,713	4,038

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7 Investments

DKK'000	Investments in group entities, net asset value	Other receivables	Total
Cost at 1 January 2016	5,726	1,891	7,617
Disposals in the year	0	-1,891	-1,891
Cost at 31 December 2016	5,726	0	5,726
Value adjustments at 1 January 2016	-1,342	0	-1,342
Share of the profit/loss for the year	847	0	847
Value adjustments at 31 December 2016	-495	0	-495
Carrying amount at 31 December 2016	5,231	0	5,231

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

8 Prepayments

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 6,190 thousand fall due for payment after more than one year after the balance sheet date.

DKK'000	2016	2015
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

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DKK'000	2016	2015
11 Deferred tax		
Deferred tax at 1 January	618	836
Deferred tax adjustment in the year, income statement	-226	-218
Deferred tax at 31 December	392	618
Deferred tax relates to:		
Intangible assets	890	1,137
Property, plant and equipment	-974	-884
Receivables	476	365
	392	618

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	2016	2015
Rent and lease liabilities	13,592	17,421

Rent and lease liabilities include a rent obligation totalling DKK 10,160 thousand in interminable rent agreements with remaining contract terms of 1-4 years. Furthermore, the Company has liabilities under operating leases for cars and IT equipment, totalling DKK 3,432 thousand, with remaining contract terms of 1-3 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 86,358 thousand.

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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.	Melville, New York, 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	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

Related party transactions

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

DKK'000	2016	2015
Inter-Company Cost Of Sales	5,796	4,615
Staff allocation in	1,997	3,339
Cost recharge in	7,196	6,281
Cost recharge out	25,381	21,202
Intercompany receivables	64,819	52,507
Intercompany payables	4,128	1,247

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	2016	2015
16	Appropriation of profit/loss		
	Recommended appropriation of profit		
	Retained earnings	59,125	61,310
		59,125	61,310

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	DKK'000	2016	2015
17	Adjustments		
	Amortisation/depreciation and impairment losses	4,182	5,615
	Gain/loss on the sale of non-current assets	6	0
	Income from investments in group entities	-847	-1,145
	Financial income	-4,630	-9,362
	Financial expenses	2,328	2,351
	Tax for the year	16,643	18,774
	Other adjustments	-1	3
		17,681	16,236
18	Changes in working capital		
	Change in inventories	43,902	307
	Change in receivables	171,488	-6,889
	Change in trade and other payables	-238,669	137,174
		-23,279	130,592
19	Cash and cash equivalents at year-end		
	Cash according to the balance sheet	8,226	1,185
	Group cash-pool (presented as 'Receivables from group entities')	224,933	198,125
		233,159	199,310