

# Arrow ECS Denmark A/S

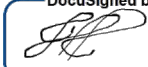
Jens Juuls Vej 42, 8260 Viby J

CVR no. 28 10 10 82

## Annual report 2021

Approved at the Company's annual general meeting on 24 June 2022

Chair of the meeting:

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.....4A207DFBE3AA468.....  
Henrik Resting-Jepesen

## Contents

<b>Statement by the Board of Directors and the Executive Board</b>	<b>2</b>
<b>Independent auditor's report</b>	<b>3</b>
<b>Management's review</b>	<b>5</b>
<b>Financial statements 1 January - 31 December</b>	<b>10</b>
Income statement	10
Balance sheet	11
Statement of changes in equity	13
Cash flow statement	14
Notes to the financial statements	15

## 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 2021.


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 2021 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2021.


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.

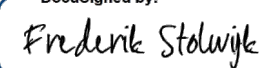
Aarhus, 24 June 2022  
Executive Board:

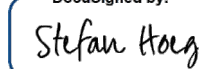
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John Normann Refsgaard  
Director

Board of Directors:

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Henrik Resting-Jepesen  
Chair

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John Normann Refsgaard

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Frederik Petrus Antonilus  
Cornelis Stolwijk

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Stefan Høg

## 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 2021, 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 2021 and of the results of the Company's operations as well as the cash flows for the financial year 1 January - 31 December 2021 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

### 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, 24 June 2022  
EY Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28



Steen Skorstengaard  
State Authorised Public Accountant  
mne19709

## 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	<a href="http://www.arrowecs.dk">www.arrowecs.dk</a>
Board of Directors	Henrik Resting-Jepesen, Chair John Normann Refsgaard Frederik Petrus Antonilus Cornelis Stolwijk Stefan Høg
Executive Board	John Normann Refsgaard, Director
Auditors	EY Godkendt Revisionspartnerselskab Værkmestergade 25, P.O. Box 330, 8100 Aarhus C, Denmark
Bankers	Danske Bank A/S Bank Mendes Gans N.V. MP Banki

## Management's review

### Financial highlights

DKK'000	2021	2020	2019	2018	2017
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#### Key figures

Revenue	1,122,000	1,184,392	1,239,055	2,353,107	2,137,597
Gross profit	163,776	168,293	157,515	164,000	156,296
Operating profit/loss	75,706	80,640	68,289	72,409	65,491
Net financials	2,292	-4,845	-6,397	-4,097	-687
<b>Profit for the year</b>	<b>60,945</b>	<b>49,373</b>	<b>48,072</b>	<b>55,303</b>	<b>50,851</b>

Total assets	1,688,449	1,508,463	1,475,226	1,332,865	1,307,778
Investment in property, plant and equipment	-366	-1,127	-510	-332	-1,128
<b>Equity</b>	<b>555,089</b>	<b>494,144</b>	<b>444,771</b>	<b>396,698</b>	<b>341,396</b>

#### Financial ratios

Operating margin	6.7%	5.8%	5.5%	3.1%	3.1%
Gross margin	14.6%	14.2%	12.7%	7.0%	7.3%
Return on assets	4.7%	5.4%	4.9%	5.5%	5.6%
Equity ratio	32.9%	32.8%	30.1%	29.8%	26.1%
Return on equity	11.6%	10.5%	11.4%	15.0%	16.1%

<b>Average number of full-time employees</b>	<b>105</b>	<b>111</b>	<b>114</b>	<b>120</b>	<b>125</b>
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The financial ratios stated under "Financial highlights" have been calculated as follows:

Ordinary operating profit/loss	Profit/loss before financial items adjusted for other operating income and other operating expenses
Operating margin	$\frac{\text{Operating profit/loss (EBIT)} \times 100}{\text{Revenue}}$
Gross margin	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss from operating activities} \times 100}{\text{Average assets}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

\*The comparative key figures for 2017-2018 have not been restated to reflect the implementation of IFRS 15.

## Management's review

### Business review

The Company's main activities are 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 turnkey 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 2021, the Company's revenue amounted to DKK 1,122,000 thousand against DKK 1,184,392 thousand last year. The income statement for 2021 shows a profit of DKK 60,945 thousand against a profit of DKK 49,373 thousand last year, and the balance sheet at 31 December 2021 shows equity of DKK 555,089 thousand.

Revenue and results for the year are in line with the outlook for 2021.

### Non-financial matters

#### Knowledge resources

The Company maintains one of the country's most powerful competence centers within IT products, market conditions, support and training.

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

#### Financial risks and use of financial instruments

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.

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.

#### Other risks

Up to the date of the finalization of the annual report for 2021, the Ukraine-Russia war has had no measurable impact on our business in Denmark, and the company does not have any business in Ukraine or Russia at this moment. There is a risk that the Ukraine-Russia war could have an indirect impact on our business in the future as a result of disruption/delays in global supply chains or macro-economic effects (higher inflation and/or slower growth/recession). Additionally, there are other risks in the macro-economic environment, including the aftermath of the COVID-19 pandemic and tensions in global trade (USA/China/EU), which might impact our business. So far, this has had limited impact on our results, but uncertainties are significant and include possible new virus variants, policy of governments and central banks and development of the world economy.



## Management's review

### Statutory CSR report

The Company has not established any independent social responsibility policies, including climate, environment, social and labor conditions or anti-corruption and human rights policies, as the Company is already 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. Please refer to the ESG report of our ultimate parent company Arrow Electronics, Inc. available on:

<https://esg.arrow.com/>

### Account of the gender composition of Management, cf. §99b

The Board of Directors targets a representation of the underrepresented sex on the Board of Directors of 20% equalizing 1 out of 5 members. The goal of the Board of Directors is that the target must be achieved before the end of 2022. In 2021, the Board of Directors consisted of 5 men and 0 women. At present, the Company has not reached the target and is working on promoting more of the underrepresented sex to managers to secure a talent pool of the underrepresented sex, which in future can be selected for the Board of Directors.

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 recruitment 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

Despite these measures, the share of the underrepresented sex at other managerial levels than the board has decreased. The target for other managerial positions is 30-40%, and at the end of 2021 the share of the underrepresented sex was 24% (vs. 33% at year end 2020) which is below our target.

Arrow did not meet the target for the Board of Directors in 2021 as there were no vacancies in the Board of Directors. Arrow aims to improve the balance in the executive group and appoint a female Director when a vacancy occurs, although the primary criteria remain to secure the right competence in all types of positions.

### Data ethics

Risks: Arrow had identified the risks of data breaches and non-compliance to GDPR and other privacy regulations on its business, employees and business partners.

Policy: Arrow Electronics, Inc. takes its privacy responsibility very seriously. Arrow will not transfer Personal Data (as defined below) to any entity, individual, or organization, particularly entities within countries without adequate data protections, except in accordance with the applicable laws and regulations. The company employs administrative and systems protections to assure that Personal Data is transferred only in accordance with applicable privacy regulations. We use appropriate steps to ensure that human resource data is protected and access to the data is restricted to necessary individuals. It is Arrow's policy that employees must process Personal Data fairly and lawfully. Our operations are responsible for collecting Personal Data only for specific, lawful, explicit and legitimate purposes, and for further processing of Personal Data consistent with those purposes. Personal Data that we maintain must be adequate and relevant to the purpose for which it is collected or used. As Arrow Electronics, Inc. is a U.S. company, it has voluntarily decided to comply with the EU - U.S. Privacy Shield Framework and is subject to the investigatory and enforcement powers of the Federal Trade Commission.

## Management's review

**Actions:** We make reasonable efforts to maintain such Personal Data accurately, to provide reasonable means to correct, delete, or rectify any inaccurate Personal Data, and to store such Personal Data for periods no longer than is necessary. Arrow complies with the EU - U.S. Privacy Shield Framework, as set forth by the U.S. Department of Commerce in consultation with the European Commission, regarding the collection, use and retention of Employee Personal Data received from the European Union. Arrow annually certifies its adherence to the Privacy Shield Principles of notice; choice; accountability for onward transfer; security; data integrity and purpose limitation; access; and recourse, enforcement and liability. To learn more about the EU - U.S. Privacy Shield Framework, please visit <https://www.privacyshield.gov/EU-US-Framework>. To view Arrow's certification, please visit: <https://www.privacyshield.gov/list>.

**Results:** There have been no data breaches in Arrow ECS Denmark during 2021.

## Outlook

For 2022, revenue and profit are expected to grow by 3-7% compared to 2021 as we expect continued demand growth for IT products and services and we expect the economy to further recover from the impact of the COVID-19 pandemic.

Uncertainties in the global economy and our markets remain significant however (a.o. possible impact of Russia-Ukraine war and/or Covid-19 and/or other factors on macro-economy, inflation and/or growth) and these uncertainties may impact our results during the year ahead.

## Safe Harbor Statement

This report includes "forward-looking statements," as the term is defined under U.S. federal securities laws. Forward-looking statements are those statements which are not statements of historical fact. These forward-looking statements can be identified by forward-looking words such as "expects," "anticipates," "intends," "plans," "may," "will," "believes," "seeks," "estimates," and similar expressions. These forward-looking statements are subject to numerous assumptions, risks, and uncertainties, which could cause actual results or facts to differ materially from such statements for a variety of reasons, including, but not limited to: potential adverse effects of the ongoing global COVID-19 pandemic, including actions taken to contain or mitigate the impact of COVID-19, impacts of the conflict in Ukraine, industry conditions, changes in product supply, pricing and customer demand, competition, other vagaries in the global components and the global enterprise computing solutions ("ECS") markets, changes in relationships with key suppliers, increased profit margin pressure, changes in legal and regulatory matters, non-compliance with certain regulations, such as export, antitrust, and anti-corruption laws, foreign tax and other loss contingencies, and the company's ability to generate cash flow. For a further discussion of these and other factors that could cause the company's future results to differ materially from any forward-looking statements, please see the section entitled "Risk Factors" in Arrow Electronic, Inc.'s, most recent Quarterly Report on Form 10-Q and the company's most recent Annual Report on Form 10-K, as well as in other filings the company makes with the U.S. Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. The company undertakes no obligation to update publicly or revise any of the forward-looking statements.

## Financial statements 1 January - 31 December

## Income statement

Note	DKK'000	2021	2020
2	<b>Revenue</b>	1,122,000	1,184,392
	Cost of sales	-923,787	-982,155
	Other external expenses	-34,437	-33,944
	<b>Gross profit</b>	163,776	168,293
3	Staff costs	-86,872	-86,161
	Amortization/depreciation of intangible assets and property, plant and equipment	-1,198	-1,491
	Other operating expenses	0	-12,380
	<b>Profit before net financials</b>	75,706	68,261
	Income from investments in group entities	179	-37
4	Financial income	4,459	295
	Financial expenses	-2,167	-5,140
	<b>Profit before tax</b>	78,177	63,379
5	Tax for the year	-17,232	-14,006
	<b>Profit for the year</b>	60,945	49,373

## Financial statements 1 January - 31 December

## Balance sheet

Note	DKK'000	2021	2020
	<b>ASSETS</b>		
	<b>Fixed assets</b>		
6	<b>Intangible assets</b>		
	Goodwill	1,625	1,950
		<u>1,625</u>	<u>1,950</u>
7	<b>Property, plant and equipment</b>		
	Other fixtures and fittings, tools and equipment	651	651
	Leasehold improvements	1,423	1,930
		<u>2,074</u>	<u>2,581</u>
8	<b>Investments</b>		
	Investments in group entities	7,921	7,742
	Receivables from group entities	500,000	0
		<u>507,921</u>	<u>7,742</u>
	<b>Total fixed assets</b>	<u>511,620</u>	<u>12,273</u>
	<b>Non-fixed assets</b>		
	<b>Inventories</b>		
	Finished goods and goods for resale	249,123	87,527
		<u>249,123</u>	<u>87,527</u>
	<b>Receivables</b>		
	Trade receivables	548,412	598,175
	Receivables from group entities	156,600	163,196
	Receivables from group entities, cash-pool	211,263	136,938
9	Deferred tax assets	329	2,391
	Joint taxation contribution receivable	1,830	913
	Other receivables	2,415	2,248
10	Prepayments	5,002	7,180
		<u>925,851</u>	<u>911,041</u>
	<b>Cash</b>	<u>1,855</u>	<u>497,622</u>
	<b>Total non-fixed assets</b>	<u>1,176,829</u>	<u>1,496,190</u>
	<b>TOTAL ASSETS</b>	<u><u>1,688,449</u></u>	<u><u>1,508,463</u></u>

## Financial statements 1 January - 31 December

## Balance sheet

Note	DKK'000	2021	2020
	<b>EQUITY AND LIABILITIES</b>		
	<b>Equity</b>		
11	Share capital	1,000	1,000
	Net revaluation reserve according to the equity method	2,195	2,016
	Retained earnings	551,894	491,128
	<b>Total equity</b>	<b>555,089</b>	<b>494,144</b>
	<b>Provisions</b>		
	Other provisions	1,030	1,030
12	<b>Total provisions</b>	<b>1,030</b>	<b>1,030</b>
	<b>Liabilities other than provisions</b>		
	<b>Non-current liabilities other than provisions</b>		
	Other payables	0	8,689
		<b>0</b>	<b>8,689</b>
	<b>Current liabilities other than provisions</b>		
	Prepayments received from customers	10,117	0
	Trade payables	1,055,629	945,920
	Payables to group entities	10,705	3,476
	Other payables	50,253	47,515
	Deferred income	5,626	7,689
		<b>1,132,330</b>	<b>1,004,600</b>
	<b>Total liabilities other than provisions</b>	<b>1,132,330</b>	<b>1,013,289</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,688,449</b>	<b>1,508,463</b>

- 1 Accounting policies
- 13 Contractual obligations and contingencies, etc.
- 14 Related parties
- 15 Fee to the auditors appointed by the Company in general meeting
- 16 Appropriation of profit

## 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 2020	1,000	2,052	441,719	444,771
16	Transfer, see "Appropriation of profit"	0	-36	49,409	49,373
	<b>Equity at 1 January 2021</b>	<b>1,000</b>	<b>2,016</b>	<b>491,128</b>	<b>494,144</b>
16	Transfer, see "Appropriation of profit"	0	179	60,766	60,945
	<b>Equity at 31 December 2021</b>	<b>1,000</b>	<b>2,195</b>	<b>551,894</b>	<b>555,089</b>

## Financial statements 1 January - 31 December

## Cash flow statement

Note	DKK'000	2021	2020
	Profit for the year	60,945	49,373
17	Adjustments	15,959	20,379
	Cash generated from operations (operating activities)	76,904	69,752
18	Changes in working capital	24,504	142,374
	Cash generated from operations (operating activities)	101,408	212,126
	Interest received, etc.	4,459	295
	Interest paid, etc.	-2,167	-5,141
	Income taxes paid	-16,087	-10,928
	<b>Cash flows from operating activities</b>	<b>87,613</b>	<b>196,352</b>
	Additions of property, plant and equipment	-366	-1,127
	<b>Cash flows to investing activities</b>	<b>-366</b>	<b>-1,127</b>
	Loan to group entities	-500,000	0
	Cash-pool displacements	-74,325	-136,270
	Raising/repaying of loan in the Employees' Fund for Residual Holiday Funds	-8,689	5,911
	<b>Cash flows from financing activities</b>	<b>-583,014</b>	<b>-130,359</b>
	<b>Net cash flow</b>	<b>-495,767</b>	<b>64,866</b>
	Cash and cash equivalents at 1 January	497,622	432,756
19	<b>Cash and cash equivalents at 31 December</b>	<b>1,855</b>	<b>497,622</b>

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Arrow ECS Denmark A/S for 2021 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(2) 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 presented as separate items in the balance sheet.

Fair value adjustments of derivative financial instruments designated and qualifying as hedging of future assets or liabilities are recognised as separate items in the balance sheet and in the hedging reserve under equity. If the 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 forecast transaction results in income or expenses, amounts previously recognised in equity are transferred to the income statement in the period in which the hedged item affects the income statement.

### Income statement

#### Revenue

The Company has chosen IFRS 15 as interpretation of the Danish Financial Statements Act for revenue recognition.

This means that the Company uses a 5-step model for revenue recognition. According to this, the contract is identified with the customer (step 1). Subsequently, the identifiable performance obligations are identified in the contract (step 2). The total transaction price is then determined (step 3) and allocated to the identified performance obligations (step 4). Finally, revenue is recognised as the identified performance obligations are met (step 5). Revenue is recognised either at a specific time or over time upon transfer of control of what was delivered to the customer.

The Company assesses all of the Company's revenue streams in relation to proper presentation. In cases where it is assessed that the Company acts as an agent and not as a principal, the Company's revenue from this is presented net.

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
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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

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

##### Profit/loss 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 statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### 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.

##### 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 life, 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.

##### Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of 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".

##### Investments in subsidiaries

Equity investments in subsidiaries 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.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

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 deducted from the carrying amount.

#### Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries 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.

#### 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".

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Equity

##### *Reserve for net revaluation according to the equity method*

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

##### *Proposed dividends*

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

##### Income taxes

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

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

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.

##### Prepayments received from customers

Prepayments from customers comprise payments received concerning income invoiced in the following year and deposits invoiced to customers.

##### Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

##### 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.

**Financial statements 1 January - 31 December****Notes to the financial statements****1 Accounting policies (continued)**

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.

DKK'000	2021	2020
<b>2 Revenue</b>		
<b>Breakdown of revenue by business segment:</b>		
Gross billings	2,374,326	2,507,800
Minus: Fee for Service (net treatment)	-1,314,204	-1,392,595
Plus: Net margin Fee for Service	61,878	69,187
	1,122,000	1,184,392

**Segment information**

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

DKK'000	2021	2020
<b>3 Staff costs</b>		
Wages/salaries	81,398	80,873
Pensions	3,395	3,360
Other social security costs	821	673
Other staff costs	1,258	1,255
	86,872	86,161
	2021	2020
Average number of full-time employees	105	111

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

## Financial statements 1 January - 31 December

## Notes to the financial statements

DKK'000	2021	2020	
<b>4 Financial income</b>			
Interest receivable, group entities	3,166	0	
Other financial income	1,293	295	
	<u>4,459</u>	<u>295</u>	
<b>5 Tax for the year</b>			
Estimated tax charge for the year	15,170	16,587	
Deferred tax adjustments in the year	2,062	-2,581	
	<u>17,232</u>	<u>14,006</u>	
<b>6 Intangible assets</b>			
DKK'000		<u>Goodwill</u>	
Cost at 1 January 2021		<u>19,593</u>	
Cost at 31 December 2021		<u>19,593</u>	
Impairment losses and amortisation at 1 January 2021		17,643	
Amortization in the year		325	
Impairment losses and amortisation at 31 December 2021		<u>17,968</u>	
<b>Carrying amount at 31 December 2021</b>		<u>1,625</u>	
<b>7 Property, plant and equipment</b>			
DKK'000	<u>Other fixtures and fittings, tools and equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
Cost at 1 January 2021	19,266	9,531	28,797
Additions in the year	283	83	366
Cost at 31 December 2021	<u>19,549</u>	<u>9,614</u>	<u>29,163</u>
Impairment losses and depreciation at 1 January 2021	18,615	7,601	26,216
Depreciation in the year	283	590	873
Impairment losses and depreciation at 31 December 2021	<u>18,898</u>	<u>8,191</u>	<u>27,089</u>
<b>Carrying amount at 31 December 2021</b>	<u>651</u>	<u>1,423</u>	<u>2,074</u>

## Financial statements 1 January - 31 December

## Notes to the financial statements

## 8 Investments

DKK'000	Investments in group entities	Receivables from group entities	Total
Cost at 1 January 2021	5,726	0	5,726
Additions on merger / corporate acquisition	0	500,000	500,000
Cost at 31 December 2021	5,726	500,000	505,726
Value adjustments at 1 January 2021	2,016	0	2,016
Share of the profit/loss for the year	179	0	179
Value adjustments at 31 December 2021	2,195	0	2,195
<b>Carrying amount at 31 December 2021</b>	<b>7,921</b>	<b>500,000</b>	<b>507,921</b>

Name	Legal form	Domicile	Interest
<b>Subsidiaries</b>			
IPVista A/S	Private limited company	Aarhus, Denmark	100.00%

## 9 Deferred tax

Deferred tax at 1 January	-2,391	190
Deferred tax adjustment in the year, income statement	2,062	-2,581
<b>Deferred tax at 31 December</b>	<b>-329</b>	<b>-2,391</b>
Deferred tax relates to:		
Intangible assets	358	429
Property, plant and equipment	-197	-267
Receivables	462	436
Provisions	-227	-227
Liabilities	-725	-2,762
	<b>-329</b>	<b>-2,391</b>

## 10 Prepayments

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

DKK'000	2021	2020
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## 11 Share capital

Analysis of the share capital:

1,000,000 shares of DKK 1.00 nominal value each	1,000	1,000
	<b>1,000</b>	<b>1,000</b>

The Company's share capital has remained DKK 1,000 thousand over the past 5 years.

**Financial statements 1 January - 31 December****Notes to the financial statements****12 Provisions**

Other provisions comprise provisions for retirement obligation for leaseholds, totalling DKK 1,030 thousand. The commitment is expected to be settled when the company decides to move out of the leaseholds. A timeline for this have not yet been assessed.

**13 Contractual obligations and contingencies, etc.**

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	2021	2020
Rent and lease liabilities	11,928	16,746

**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.	Centennial, Colorado, USA	Ultimate parent company

**Information about consolidated financial statements**

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Arrow Electronics Inc.	Centennial, Colorado, USA	<a href="https://investor.arrow.com/financials/financial-results/default.aspx">https://investor.arrow.com/financials/financial-results/default.aspx</a>
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	2021	2020
Intercompany cost of sales	12,602	6,470
Staff allocation in	3,475	2,670
Staff allocation out	4,811	3,769
Cost recharge in	25,179	24,454
Cost recharge out	5,509	5,574
Intercompany interests	3,166	0
Intercompany receivables	156,600	163,196
Intercompany loans	500,000	0
Intercompany payables	10,705	3,476



**Financial statements 1 January - 31 December****Notes to the financial statements****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	2021	2020
<b>16 Appropriation of profit</b>		
<b>Recommended appropriation of profit</b>		
Net revaluation reserve according to the equity method	179	-36
Retained earnings	60,766	49,409
	60,945	49,373
<b>17 Adjustments</b>		
Amortisation/depreciation and impairment losses	1,198	1,491
Income from investments in group entities	-179	36
Financial income	-4,459	-295
Financial expenses	2,167	5,141
Tax for the year	17,232	14,006
	15,959	20,379
<b>18 Changes in working capital</b>		
Change in inventories	-171,939	63,733
Change in receivables	59,362	100,536
Change in trade and other payables	137,081	-21,895
	24,504	142,374
<b>19 Cash and cash equivalents at year-end</b>		
Cash according to the balance sheet	1,855	497,622
	1,855	497,622