Arrow ECS Denmark A/S

Jens Juuls Vej 42, 8260 Viby J

CVR no. 28 10 10 82

Annual report 2023

Approved at the Company's annual general meeting on 24 June 2024

Chair of the meeting:

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Henrik Resting-Jeppesen
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Henrik Resting-Jeppesen

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 2023.

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 2023 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2023.

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

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

Aarhus, 24 June 2024
Executive Board:

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John Normann Refsgaard
Director

Board of Directors:

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Henrik Resting-Jeppesen	John Normann Refsgaard	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 2023, 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 2023 and of the results of the Company's operations as well as the cash flows for the financial year 1 January - 31 December 2023 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.

Independent auditor's report

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- 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 2024
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

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Steen Skorstengaard	Christine Agerskov Bro
State Authorised Public Accountant	State Authorised Public Accountant
mne19709	mne50623

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	https://www.arrow.com/globalecs/dk/
Board of Directors	Henrik Resting-Jeppesen 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. Kvika Banki hf.

Management's review

Financial highlights

DKK'000	2023	2022	2021	2020	2019
Key figures					
Revenue	1,272,517	1,274,457	1,122,000	1,184,392	1,239,055
Gross profit	205,227	192,317	163,776	168,293	157,515
Operating profit/loss	109,667	104,494	75,706	80,640	68,289
Net financials	17,564	16,159	2,471	-4,888	-6,523
Profit for the year	99,142	94,000	60,945	49,373	48,072
Total assets	1,839,912	1,835,967	1,688,449	1,508,463	1,475,226
Investments in property, plant and equipment	-253	-157	-366	-1,127	-510
Equity	748,231	649,089	555,089	494,144	444,771
Financial ratios					
Operating margin	8.6%	8.2%	6.7%	5.8 %	5.5 %
Gross margin	16.1%	15.1%	14.6%	14.2%	12.7%
Return on assets	6.0%	5.9%	4.7%	5.4%	4.9%
Equity ratio	40.7%	35.4%	32.9%	32.8%	30.1%
Return on equity	14.2%	15.6%	11.6%	10.5%	11.4%
Average number of full-time employees	110	105	105	111	114

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

Operating profit/loss = Profit/loss before net financials +/- Other operating income and other operating expenses

Operating margin $= \dfrac{\text{Operating profit/loss (EBIT) x 100}}{\text{Revenue}}$

Gross margin $= \dfrac{\text{Gross profit/loss x 100}}{\text{Revenue}}$

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

Equity ratio $= \dfrac{\text{Equity, year-end x 100}}{\text{Total equity and liabilities, year-end}}$

Return on equity $= \dfrac{\text{Profit/loss after tax x 100}}{\text{Average equity}}$

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 2023, the Company's revenue amounted to DKK 1,272,517 thousand against DKK 1,274,457 thousand last year. The income statement for 2023 shows a profit of DKK 99,142 thousand against a profit of DKK 94,000 thousand last year, and the balance sheet at 31 December 2023 shows equity of DKK 748,231 thousand.

In the annual report for 2022, the Company expected a growth in revenue and profit for the year on 6-10%. Revenue is on par with 2022, and the profit for the year has increased 5%, which is not in line with the outlook for 2023. However, management consider the result for the year satisfactory.

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 audit 2023, the Ukraine-Russia war and/or Israel/Middle East conflict has had no measurable impact on our business in Denmark, and the company does not have any business in Ukraine, Russia or Middle-East at this moment. We do have some vendors located in Israel, but our business with these vendors is so far not impacted by the Israel/Middle East conflict. There is a risk that the Ukraine-Russia war and/or the Israel/Middle-East conflict could have an indirect impact on our business in the future as a result of disruption/delays in global supply chains or negative macro-economic effects. Risks in the current macro-economic environment include but are not limited to high inflation and energy costs, increasing interest rates, a possible slowdown in economic growth, supply chain disturbances (e.g Red Sea), 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 remain significant.

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.

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. For the corporate social responsibility reporting cf. The Danish Financial Statement Act §99a, we refer to our parent company Arrow Electronics Inc. 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

Report on the gender composition of Management

The Company targets a representation of the underrepresented sex on the Board of Directors of 20%. In 2023, the Board of Directors consisted of 4 men and 0 women (unchanged vs. the end of 2022). Consequently, in 2023, the Company has not reached the target for representation of the underrepresented sex on the Board of Directors. In case of vacancies in the Board of Directors we will hire/replace in the Board of Directors by qualifications. The goal of the Company is that the target must be achieved before the end of 2025 while continuing to secure the right competence in all positions.

The Company targets a representation of the underrepresented sex in management positions, including department managers and team leaders, of 20-30%. At the end of 2023, the share of the underrepresented sex was 20% (vs. 20% at year end 2022) which is within the target range. No changes to the managerial composition occurred in the current financial year. The existing members of management, selected based on experience, expertise, and competencies relevant to the roles, remained unchanged. As the Company has reached their goal for other management levels in 2022, they have set a new goal on 40% in 2027.
In order to achieve/improve the targets for representation of the underrepresented sex in the Board of Directors and management positions, the Company has adopted a group guideline for Diversity and Inclusion to, amongst others, increase the share of the underrepresented sex at all management levels, including the Board of Directors. 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. In 2022, the Company has launched amongst many others the following actions to increase the share of the underrepresented sex in all management levels including the Board of Directors, which is continued during 2023.

- Work(place) Forward Culture: embracing inclusion and diversity as catalysts for innovation in technology and driving a future-focused work experience. This includes workshops for all employees on Diversity and Inclusion.

- Advancement of Women in Technology: Guiding managers to engage women in growing and advancing their careers to support our longterm goal of growing representation of women leaders across the organization; paired with a pilot program for nominated women to participate in courses, mentorships, and other stretch assignments.

- Workplace Flexibility: To support our employees’ work-life balance, Arrow workplace flexibility programs are in place globally and regionalized to meet market expectations of the countries in which we operate.

- Talent Attraction and Recruiting: Arrow is committed to equal opportunity for all qualified employees and job applicants. Our global Talent Acquisition teams are equipped with best-in-class technology, market data, and reporting that enable us to recruit unique talent pipelines and achieve diverse representation in our applicant and interview pools.

For further information on Arrow’s Diversity and Inclusion approach, please refer to the social section of the ESG report 2023 of Arrow Electronics, Inc on https://www.arrow.com/company/purpose/environmental-social-governance.

Management's review

Overview

	2023
Supreme governing body	
Total number of members	4
Underrepresented gender in %	0
Target figure in %	20
Year in which the target figure is expected to be met	2025
Other levels of management	
Total number of members	10
Underrepresented gender in %	20
Target figure in %	40
Year in which the target figure is expected to be met	2027

Supreme governing body

Arrow ECS Denmark A/S's goal has been to get 20% of the underrepresented gender in the top management body. However, the top management body consists of 4 members, who all are men, so the underrepresented gender constitutes 0 %, why the goal has not been achieved in 2023. The company targets to achieve the goal in 2025.

Other levels of management

The company's other levels of management consist of the company's registered executive board, as well as the heads of the organization's individual functions, who report directly to the registered executive board. The other management levels consist of 10 members, represented by 2 women (20 %) and 8 men. The company targets a representation of the underrepresented gender of 40% in 2027.

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.

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 A/S during 2023.

Management's review

Outlook

For 2024, revenue and profit are expected to grow by 6-10% as we expect continued demand growth for IT products and services driven by amongst others the continued transformation of technology from on-premise to cloud, the growing size and value represented by big data and the resulting increasing importance of IT security, and other technology trends demanding intensive support.

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 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	2023	2022
2	Revenue	1,272,517	1,274,457
	Cost of sales	-1,026,562	-1,041,961
3	Other external expenses	-40,728	-40,179
	Gross profit	205,227	192,317
4	Staff costs	-94,567	-86,716
	Amortization/depreciation of intangible assets and property, plant and equipment	-993	-1,107
	Profit before net financials	109,667	104,494
	Income from investments in group entities	147	-6
5	Financial income	22,396	18,357
6	Financial expenses	-4,979	-2,192
	Profit before tax	127,231	120,653
7	Tax for the year	-28,089	-26,653
	Profit for the year	99,142	94,000

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2023	2022
	ASSETS		
	Fixed assets		
9	Intangible assets		
	Goodwill	975	1,300
		975	1,300
10	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	494	569
	Leasehold improvements	540	880
		1,034	1,449
11	Investments		
	Investments in group entities	8,062	7,915
	Receivables from group entities	500,000	500,000
	Deposits	1,433	1,343
		509,495	509,258
	Total fixed assets	511,504	512,007
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	155,491	222,014
		155,491	222,014
	Receivables		
	Trade receivables	807,438	732,882
	Receivables from group entities	261,274	293,126
	Receivables from group entities, cash-pool	92,590	68,826
	Income taxes receivable	4,284	0
	Other receivables	3,064	1,550
12	Prepayments	3,578	3,279
		1,172,228	1,099,663
	Cash	689	2,283
	Total non-fixed assets	1,328,408	1,323,960
	TOTAL ASSETS	1,839,912	1,835,967

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2023	2022
	EQUITY AND LIABILITIES		
	Equity		
13	Share capital	1,000	1,000
	Net revaluation reserve according to the equity method	2,336	2,189
	Retained earnings	744,895	645,900
	Total equity	748,231	649,089
	Provisions		
14	Deferred tax	138	264
	Other provisions	1,030	1,030
15	Total provisions	1,168	1,294
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	1,031,219	1,123,548
	Payables to group entities	5,362	4,695
	Joint taxation contribution payable	0	60
	Other payables	51,979	52,178
16	Deferred income	1,953	5,103
		1,090,513	1,185,584
	Total liabilities other than provisions	1,090,513	1,185,584
	TOTAL EQUITY AND LIABILITIES	1,839,912	1,835,967

1 Accounting policies
8 Appropriation of profit
17 Contractual obligations and contingencies, etc.
18 Related parties

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 2022	1,000	2,195	551,894	555,089
8	Transfer, see "Appropriation of profit"	0	-6	94,006	94,000
	Equity at 1 January 2023	1,000	2,189	645,900	649,089
8	Transfer, see "Appropriation of profit"	0	147	98,995	99,142
	Equity at 31 December 2023	1,000	2,336	744,895	748,231

Financial statements 1 January - 31 December

Cash flow statement

Note	DKK'000	2023	2022
	Profit for the year	99,142	94,000
19	Adjustments	11,518	11,601
	Cash generated from operations (operating activities)	110,660	105,601
20	Changes in working capital	-73,004	-239,448
	Cash generated from operations (operating activities)	37,656	-133,847
	Interest received, etc.	22,396	18,357
	Interest paid, etc.	-4,979	-2,192
	Income taxes paid	-32,650	-24,170
	Cash flows from operating activities	22,423	-141,852
	Additions of property, plant and equipment	-253	-157
	Cash flows to investing activities	-253	-157
	Cash-pool displacements	-23,764	142,437
	Cash flows from financing activities	-23,764	142,437
	Net cash flow	-1,594	428
	Cash and cash equivalents at 1 January	2,283	1,855
21	Cash and cash equivalents at 31 December	689	2,283

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Arrow ECS Denmark A/S for 2023 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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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

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 group entities

The income statement includes the proportional share of the underlying companies' profit or loss after elimination of internal profit/loss and after tax. In group entities, the full elimination of internal profit and loss is carried out without regard to ownership shares.

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 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 group entities

Equity investments in group entities are measured according to the equity method.

On initial recognition, equity investments in group entities 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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Impairment of fixed assets

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

The Company has chosen IAS 39 as interpretation for impairment write-down of financial receivables.

Receivables are measured at amortised cost.

Prepayments

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

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".

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.

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.

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.

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 1 January - 31 December

Notes to the financial statements

	DKK'000	2023	2022
2	Revenue		
	Breakdown of revenue by business segment:		
	Gross billings	3,170,857	3,016,068
	Minus: Fee for Service (net treatment)	-1,967,544	-1,826,354
	Plus: Net margin Fee for Service	69,204	84,743
		1,272,517	1,274,457

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.

3 Fee to the auditors appointed in general meeting

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

	DKK'000	2023	2022
4	Staff costs		
	Wages/salaries	87,624	80,365
	Pensions	4,088	3,766
	Other social security costs	853	815
	Other staff costs	2,002	1,770
		94,567	86,716
	Average number of full-time employees	110	105

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

	DKK'000	2023	2022
5	Financial income		
	Interest receivable, group entities	14,771	13,274
	Exchange gain	7,159	4,730
	Other financial income	466	353
		22,396	18,357
6	Financial expenses		
	Interest expenses, group entities	2,973	772
	Exchange losses	1,427	0
	Other financial expenses	579	1,420
		4,979	2,192

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2023	2022
7 Tax for the year		
Estimated tax charge for the year	28,216	26,060
Deferred tax adjustments in the year	-127	593
	28,089	26,653

	2023	2022
8 Appropriation of profit		
Recommended appropriation of profit		
Net revaluation reserve according to the equity method	147	-6
Retained earnings	98,995	94,006
	99,142	94,000

9 Intangible assets

DKK'000	Goodwill
Cost at 1 January 2023	19,593
Cost at 31 December 2023	19,593
Impairment losses and amortisation at 1 January 2023	18,293
Amortization in the year	325
Impairment losses and amortisation at 31 December 2023	18,618
Carrying amount at 31 December 2023	975

10 Property, plant and equipment

DKK'000	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2023	19,706	9,614	29,320
Additions in the year	181	72	253
Cost at 31 December 2023	19,887	9,686	29,573
Impairment losses and depreciation at 1 January 2023	19,137	8,734	27,871
Depreciation in the year	256	412	668
Impairment losses and depreciation at 31 December 2023	19,393	9,146	28,539
Carrying amount at 31 December 2023	494	540	1,034

Financial statements 1 January - 31 December

Notes to the financial statements

11 Investments

DKK'000	Investments in group entities	Receivables from group entities	Deposits	Total
Cost at 1 January 2023	5,726	500,000	1,343	507,069
Additions in the year	0	0	90	90
Cost at 31 December 2023	5,726	500,000	1,433	507,159
Value adjustments at 1 January 2023	2,189	0	0	2,189
Share of the profit/loss for the year	147	0	0	147
Value adjustments at 31 December 2023	2,336	0	0	2,336
Carrying amount at 31 December 2023	8,062	500,000	1,433	509,495

Group entities

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

12 Prepayments

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

DKK'000	2023	2022
13 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

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

DKK'000	2023	2022
14 Deferred tax		
Deferred tax at 1 January	264	-329
Deferred tax adjustment in the year, income statement	-127	593
Other deferred tax	1	0
Deferred tax at 31 December	138	264
Deferred tax relates to:		
Intangible assets	215	286
Property, plant and equipment	-169	-184
Receivables	318	391
Provisions	-226	-226
Liabilities	0	-3
	138	264

15 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.

16 Deferred income

Deferred income, DKK 1,953 thousand (2022: DKK 5,103 thousand), consists of payments received from customers that may not be recognised until the subsequent financial year.

17 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	2023	2022
Rent and lease liabilities	6,073	7,994

Financial statements 1 January - 31 December

Notes to the financial statements

18 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	https://investor.arrow.com/financials/financial-results/default.aspx
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	2023	2022
Intercompany cost of sales	19,283	18,628
Staff allocation in	4,413	3,653
Staff allocation out	11,923	8,688
Cost recharge in	32,476	28,140
Cost recharge out	8,121	5,294
Intercompany interests	11,798	13,274
Intercompany receivables	261,274	293,126
Intercompany loans	500,000	500,000
Intercompany payables	5,362	4,695

19	Adjustments		
	Amortisation/depreciation and impairment losses	993	1,107
	Income from investments in group entities	-147	6
	Financial income	-22,396	-18,357
	Financial expenses	4,979	2,192
	Tax for the year	28,089	26,653
		11,518	11,601
20	Changes in working capital		
	Change in inventories	66,523	27,109
	Change in receivables	-44,517	-319,751
	Change in trade and other payables	-95,010	53,194
		-73,004	-239,448
21	Cash and cash equivalents at year-end		
	Cash according to the balance sheet	689	2,283
		689	2,283