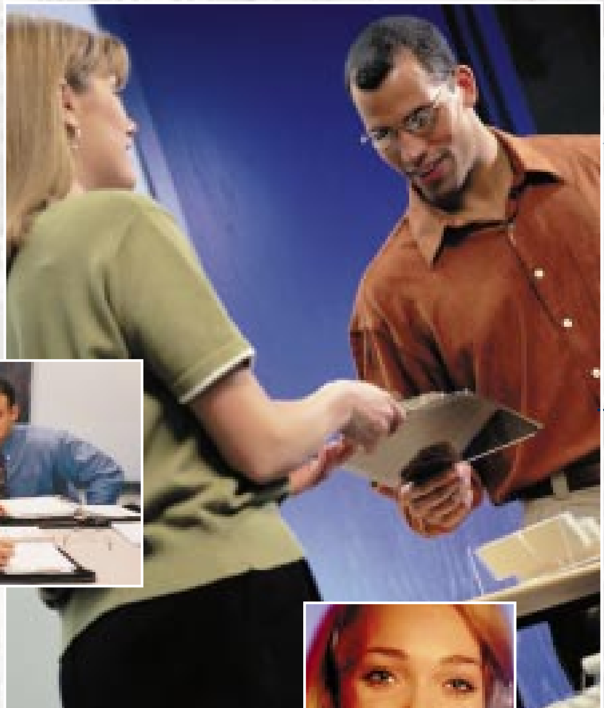
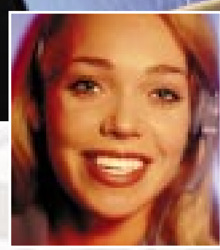
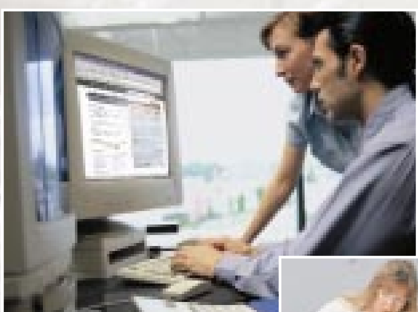
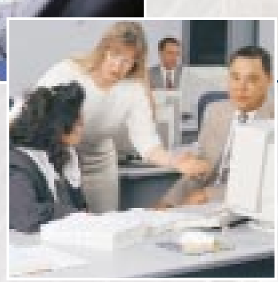








Tech Data®

FISCAL 1998
ANNUAL REPORT

Delivering New Products

Defining New Markets

Developing New Opportunities

Demonstrating New Value

YEAR ENDED JANUARY 31, 1998

Tech Data Corporation is a leading full-line distributor of personal computer products, serving more than 70,000 resellers throughout the United States, Canada, Latin America, Germany, France, Switzerland and Austria. The Fortune 500 company distributes more than 45,000 products from over 900 manufacturers and publishers. Tech Data also provides extensive pre- and post-sale training, service and support as well as high-quality configuration and assembly services and a full range of electronic commerce solutions.

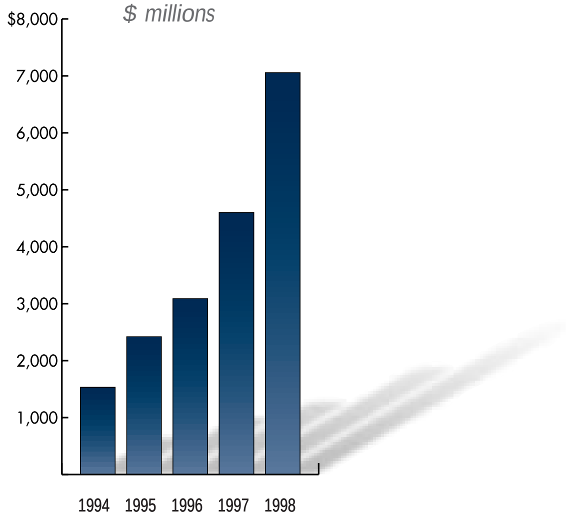
CONTENTS

Tech Data Corporation And Subsidiaries

	1998	1997	1996	1995	1994
For the year ended January 31:					*(In thousands, except per share data)*
Net sales	**$7,056,619**	$ 4,598,941	$ 3,086,620	$ 2,418,410	$ 1,532,352
Gross profit	**465,746**	321,781	219,394	199,288	134,385
Net income	**89,485**	56,973	21,541	34,912	30,213
Net income per common share:					
Basic	**2.00**	1.39	.57	.92	.83
Diluted	**1.92**	1.35	.56	.91	.83
At year end:					
Working capital	**$ 537,381**	$ 351,993	$ 201,704	$ 182,802	$ 165,366
Total assets	**2,185,383**	1,545,294	1,043,879	784,429	506,760
Shareholders' equity	**702,588**	438,381	285,698	260,826	213,326

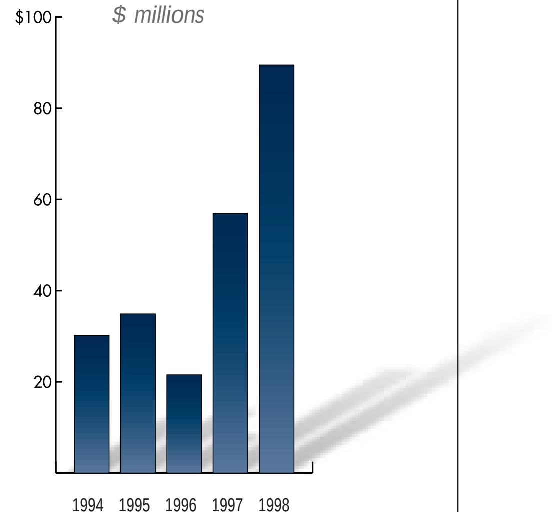
Net Sales

$ millions



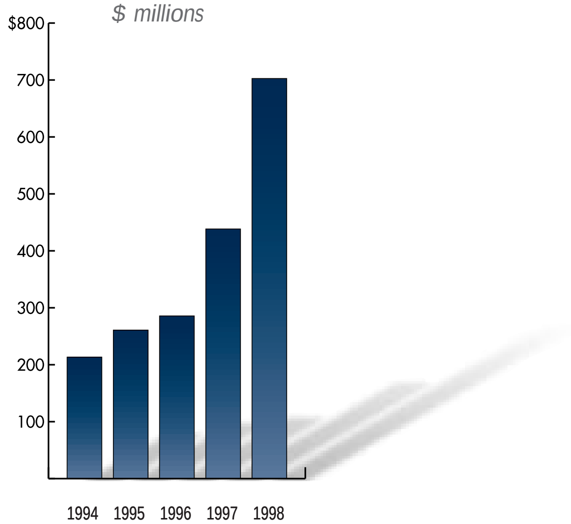
Net Income

$ millions

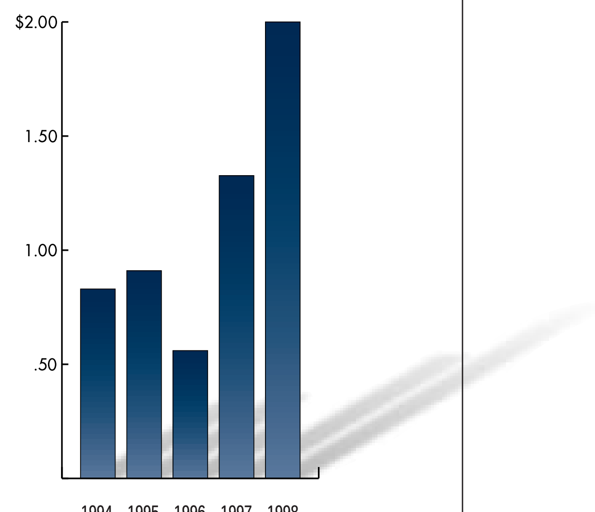


Shareholders' Equity

$ millions



Basic Earnings Per Share



Integrity

The foundation of our business is based upon integrity. All interactions with customers, vendors, suppliers, shareholders and fellow employees will be conducted with integrity and mutual respect. ◆

To our shareholders:

Tech Data Corporation delivered exceptional results in the 1998 fiscal year. In addition to a record-breaking financial performance, we made great strides in customer service and positioned the company for future domestic and international growth. ◆ For the year ended January 31, 1998, net sales increased 53.4% to $7.1 billion, and net income grew 57.1% to $89.5 million, or $1.92 per diluted share. Through improved operating efficiency and increased business volume, our selling, general and administrative expenses as a percentage of net sales declined to a record low 4.15% compared with 4.50% last year. A well-balanced sales mix characterized overall results, with peripherals representing 42% of the total, systems 24%, networking products 18% and software 16%. ◆ With our acquisition of a controlling interest in Macrotron AG, we took another major step forward in our pan-European expansion strategy. This Munich-based distributor brought Tech Data a leadership position in the German market as well as a presence in Switzerland and Austria. Although our 1998 fiscal year reflects only six months of results from Macrotron, international sales have grown to represent more than 20% of Tech Data's overall business. This compares to 13% in our last fiscal year. ◆ All of Tech Data's international operations experienced strong growth. In Canada, we continued to gain market share and capitalize on new opportunities. Our substantial export sales into Latin America and the Caribbean are now complemented by our first

Customers across all markets segments are working with Tech Data in innovative ways that extend well beyond our traditional role as a value-added, full-line distributor.

in-country distribution center operations in the region. This facility, which includes a dedicated sales organization, opened last year near São Paulo to serve our customers in Brazil—Latin America's largest technology market. In Europe, the addition of Macrotron was only one of the major highlights. Our Paris-based subsidiary again finished the year as a leading computer products distributor in France. ◆ Although our international developments attracted significant attention last year, Tech Data enjoyed profound success in the U.S. market. As in each of the past five years, our sales growth in the critical U.S. market has outpaced that of the microcomputer distribution industry as a whole, according to MSI, a leading industry research firm.

Of all the reasons that continue to distinguish Tech Data in the eyes of customers and vendors, none shines any brighter than our people.

Bringing new value to the supply chain

Customers across all markets segments are working with Tech Data in innovative ways that extend well beyond our traditional role as a value-added, full-line distributor. Vendors have also turned to us for help in strengthening their business models. We are addressing the complete spectrum of needs. ◆ Electronic commerce and assemble-to-order services are among our most dynamic strategic initiatives. We are fortunate to have the resources, leadership and ingenuity to respond to these market requirements that are revolutionizing the industry. ◆ Our Internet site advances and other electronic commerce innovations were recently recognized by CIO magazine, which awarded Tech Data one of its prestigious Enterprise Value Awards. Configuration and assembly capabilities also progressed

Employees

Our employees make the difference! We will invest in the development of our employees and provide a professionally challenging and rewarding environment. ◆

Partners

Strategic business partnerships with customers, vendors and suppliers produce benefits for all of our business partners. We will conduct our business in a manner which supports our business partners. ◆

markedly as we obtained ISO 9002 certification and began assembly of IBM systems at our South Bend facility. In addition, Compaq and Hewlett-Packard have selected Tech Data as a distribution partner to provide these services. ◆ Tech Data's unparalleled commitment to customer service excellence is also taking the company to new frontiers in the distribution model. For example, we recently established our own state-of-the-art distribution and logistics capabilities at IBM's Research Triangle Park, N.C., manufacturing facility. This "FactoryDirect" approach enables Tech Data to provide the fastest delivery possible of IBM products. ◆ Today's hardware and software vendors not only rely on Tech Data to help them get product to the right destinations, they are also looking for other high-quality services that support their sales. Technical support, education, credit and other Tech Data offerings are bringing remarkable value to both our customer and vendor partnerships. All of these services were greatly enhanced last year, and we continue to make investments to ensure they remain the best in the industry.

Technical support, education, credit and other Tech Data offerings are bringing remarkable value to both our customer and vendor partnerships.

The right formula

Reaching the right customers with the right products and services is another Tech Data advantage. Through dedicated sales divisions, targeted marketing programs and many specialized services, the company has optimized its support for resellers across all market segments including government, retail, direct reseller, original equipment manufacturer (OEM), and value-added reseller (VAR) channels. As vendors strive to further differentiate their product lines according to specific customer requirements, it is imperative that they do business with a distributor that understands these markets and can help them get the job done. ◆ In addition to the thousands of products we helped our existing vendor partners introduce last year, we also welcomed many new manufacturers and publishers to our line card. These agreements included major players in the corporate market such as JVC, Siemens and Tektronix as well as some of the biggest names on retail shelves: Casio, Dr. Solomon's Software and Hasbro Interactive. From long-term industry leaders to rising stars, the consensus is clear; Tech Data is a preferred business partner with a great future. ◆ Of all the reasons that continue to distinguish Tech Data in the eyes of customers and vendors, none shines any brighter than our people. Our employee family grew last year to more than 5,000 associates worldwide. At our corporate headquarters alone, where we opened a new 240,000 square-foot facility, we created more than 300 new employment opportunities. ◆ Our management team also became stronger than ever. Key executive appointments over the past year included Gerald M. Labie to president and managing director of European operations, and H. John Lochow to senior vice president and chief information officer. These industry veterans have the experience, leadership qualities and insight to provide tremendous contributions.

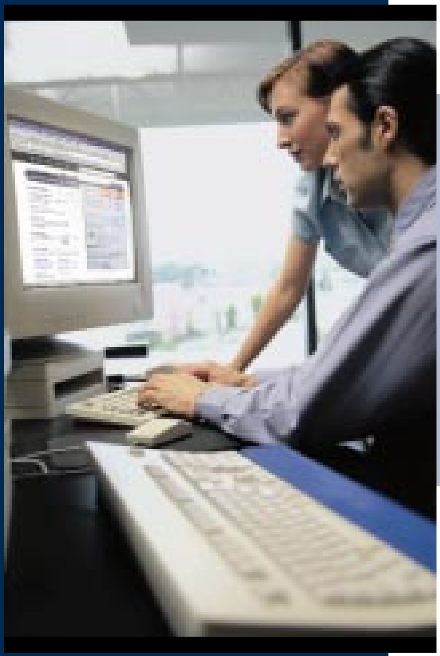
In every respect, Tech Data is a company that represents value ... to its customers, vendors and shareholders.

Shareholders

Shareholders deserve a reasonable return on their investment in our company. We are focused on profitability in order to attract sufficient capital for our continued growth. ◆

Change

Our business continues to evolve based on ever-changing market conditions. Our willingness to embrace change will be key to our success. ◆



Jerry brings more than 30 years of domestic and international computer industry experience to his newly created position. He was most recently senior vice president and general manager, Europe, at Stream International, a global software reseller. John most recently served as CIO of Bell Canada, Canada's largest company, where he was credited with increasing efficiency and introducing an enterprise-wide IS architecture to modernize their legacy environment.

Financial review

With sales of $7.1 billion and net income of $89.5 million, Tech Data's fiscal 1998 financial results were by far the best in company history. These outstanding results were particularly impressive considering the intense competition in the computer industry and unique business challenges we faced. The UPS strike, for example, affected our service levels to many U.S. customers during the third quarter. ◆ In November 1997, we overcame another type of challenge—difficult stock market conditions—as we completed a secondary offering of 3.7 million shares of common stock. The total net proceeds of approximately $149 million gave us an even stronger balance sheet to finance our planned growth. ◆ Over the past two years, Tech Data has more than doubled its revenue through substantial market share gains and international expansion. Our return on invested shareholders' equity reached 17.1% in fiscal 1998, the highest level we have achieved in the past five years.

Reaching the right customers with the right products and services is another Tech Data advantage.

Steven A. Raymund

A tribute to our people

Tech Data's success has been measured and recognized in many ways throughout the years. For example, our ranking on the Fortune 500 moved up from 398th in fiscal 1996 to 224th this year. Our increase in revenue in fiscal 1998 represented the 34th biggest gain among Fortune 500 companies. As an investor, however, you may be more impressed by our ranking 27th among Fortune 500 companies in the highest total return to investors over the past ten years, achieving an annual return of 30.9% for this period. ◆ Our history also includes numerous awards and honors for customer service excellence, but we take just as much pride in the words of appreciation we hear every day from the technology resellers we serve. Everything we accomplish is clearly the result of hard work and dedication from people who have the utmost integrity and professionalism. The daily contributions of our associates make us what we are today. ◆ In every respect, Tech Data is a company that represents value … to its customers, vendors and shareholders. We thank all of these business partners for their continued support.

Sincerely,

Steven A. Raymund
Chairman of the Board of Directors
and Chief Executive Officer

April 10, 1998

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark one)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the fiscal year ended January 31, 1998

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from to

Commission file number 0-14625

TECH DATA CORPORATION

(Exact name of registrant as specified in its charter)

Florida	**No. 59-1578329**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
5350 Tech Data Drive, Clearwater, FL	**33760**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number including area code: (813) 539-7429

Securities registered pursuant to Section 12(g) of the Act:

Common stock, par value $.0015 per share.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes _X_ No ____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of regulation S-K is not contained herein, and will not be contained to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference to Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Aggregate market value of the voting stock held by non-affiliates of the registrant as of March 31, 1998: $1,698,978,000

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at March 31, 1998
Common stock, par value $.0015 per share	48,267,064

DOCUMENTS INCORPORATED BY REFERENCE

The registrant's Proxy Statement for use at the Annual Meeting of Shareholders on June 23, 1998 is incorporated by reference in Part III of this Form 10-K to the extent stated herein.

PART I

ITEM 1. *Business*

(a) General development of business

Tech Data Corporation (the "Company" or "Tech Data") was incorporated in 1974 to market data processing supplies such as tape, disk packs, and custom and stock tab forms for mini and mainframe computers directly to end users. In 1984, the Company began marketing certain of its products to the newly emerging market of microcomputer dealers and had withdrawn entirely from end-user sales, broadened its product line to include hardware products, and completed its transition to a wholesale distributor. The Company has since continually expanded its product lines, customer base and geographical presence.

On May 31, 1989, the Company entered the Canadian market through the acquisition of a distributor subsequently named Tech Data Canada Inc. ("Tech Data Canada"). Tech Data Canada serves customers in all Canadian provinces and carries many of the same products offered by the Company.

On March 24, 1994, the Company completed the non-cash exchange of 1,144,000 shares of its common stock for all of the outstanding capital stock of Softmart International, S.A. (subsequently named Tech Data France, SNC) ("Tech Data France"), a privately-held distributor of personal computer products based in Paris, France. Tech Data France is one of the largest wholesale distributors of microcomputer products in France, representing leading manufacturers and publishers such as Compaq, Hewlett-Packard, IBM, Lotus and Microsoft. The acquisition was accounted for as a pooling-of-interests effective February 1, 1994; however, due to the immaterial size of the acquisition in relation to the consolidated financial statements, prior period financial statements were not restated.

To complement its Miami-based Latin American export business, the Company opened a 33,000 square-foot distribution center near São Paulo, Brazil in February 1997.

On July 1, 1997, Tech Data acquired a controlling interest in Macrotron AG ("Macrotron"), a leading publicly held distributor of personal computer products based in Munich, Germany. Macrotron is one of the largest computer products wholesale distributors in Germany whose product line includes such leading vendors as 3Com, Canon, Compaq, Corel, Epson, Hewlett-Packard, IBM, Intel, Microsoft, Sony and Toshiba. As of January 31, 1998, the Company owned approximately 98% and 82% of Macrotron's common and preferred stock, respectively. The acquisition has been accounted for under the purchase method.

(b) Financial information about industry segments

The Company operates in only one business segment.

(c) Narrative description of business

The Company is the world's second largest distributor of microcomputer hardware and software products to value-added resellers ("VARs"), corporate resellers, retailers and direct marketers (collectively with VARs, "customers"). Tech Data distributes products throughout the United States, Canada, Latin America, Germany, France, Switzerland and Austria. The Company purchases its products directly from more than 900 manufacturers of microcomputer hardware and publishers of software in large quantities, maintains a stocking inventory of more than 45,000 products and sells to an active base of over 70,000 customers. The Company's broad assortment of vendors and products meets the customers' need for a cost effective link to those vendors' products offered through a single source.

The Company provides its customers with leading products including systems, peripherals, networking, and software, which accounted for 24%, 42%, 18% and 16%, respectively, of sales in fiscal 1998. The Company offers products from manufacturers and publishers such as Bay Networks, Cisco, Compaq, Corel, Creative Labs, Digital Equipment, Epson, Hewlett-Packard, IBM, Intel, Microsoft, Novell, Okidata, Seagate, Symantec, 3Com, Toshiba, Viewsonic and Western Digital. The Company generally ships products the same day the orders are received from regionally located distribution centers. The customers are provided with a high-level of service through the Company's pre- and post-sale technical support, electronic commerce tools (including on-line order entry, product configuration services and electronic data interchange ("EDI") services), customized shipping documents and flexible financing programs.

Industry

The wholesale distribution model, like that provided by the Company, has proven to be well-suited for both manufacturers and publishers of microcomputer products ("vendors") and resellers of those products. The large number and diversity of resellers makes it cost efficient for vendors to rely on wholesale distributors which can leverage distribution costs across multiple vendors who outsource a portion of their distribution, credit, marketing and support services. Similarly, due to the large number of vendors and products, resellers often cannot or choose not to establish direct purchasing relationships. Instead they rely on wholesale distributors, such as Tech Data, which can leverage purchasing costs across multiple resellers to satisfy a significant portion of their product procurement and delivery, financing, marketing and technical support needs.

The Company believes that the rates of growth of the wholesale distribution segment of the microcomputer industry and the Company continue to outpace that of the microcomputer industry as a whole for three principal reasons. First, as a result of the use of open systems and off-the-shelf components, hardware and software products are increasingly viewed as commodities. The resulting price competition, coupled with rising selling costs and shorter product life cycles, make it difficult for manufacturers and publishers to efficiently sell directly to resellers and has prompted them to rely on more cost-efficient methods of distribution. Second, resellers are increasingly relying on wholesale distributors such as Tech Data for product availability and flexible financing alternatives rather than stocking large inventories themselves and maintaining credit lines to finance working capital needs. Third, restrictions by certain major manufacturers on sales through wholesale distributors were gradually eased commencing in 1991. Since the beginning of 1995, the Company has been able to sell certain of those manufacturers' products under more competitive terms and conditions ("open-sourcing"). Historically, these previously restricted product lines were sold by master resellers, or aggregators, (whose business model was similar to wholesale distributors, but focused on relatively few product lines) to a network of franchise dealers. Open-sourcing has virtually eliminated any advantage that these aggregators enjoyed as a result of the exclusive arrangements. In addition, consolidation in the wholesale distribution industry continues as economies of scale and access to financial resources become more critical. Larger distributors, like the Company, that have been able to utilize economies of scale to lower costs and pass on the savings to its customers in the form of reduced prices have continued to take market share.

Recent trends in wholesale distribution include the final assembly of certain products by the distributor and continued expansion of electronic commerce. In order to compete more effectively and lower their costs, major computer systems manufacturers which rely on the two-tier distribution model have begun to take steps to reduce their own inventories and the inventories of their distributors and resellers by implementing a build-to-order manufacturing process. They have also begun to re-engineer their distribution by developing programs whereby final assembly will be performed at the distribution level ("channel assembly") versus the current build-to-forecast methodology employed by these manufacturers. Tech Data has been selected by Compaq, Hewlett-Packard and IBM to participate in their respective channel assembly programs. Tech Data began performing assembly services for IBM in October 1997 and expects to begin performing such services for Compaq and Hewlett-Packard in fiscal 1999.

The increasing utilization of electronic ordering and information delivery systems, including the ability to transact business over the World Wide Web has had and is expected to continue to have a significant impact on the cost efficiency of the wholesale distribution industry. Distributors, such as Tech Data, with the financial and technical resources to develop, implement and operate state-of-the-art management information systems have been able to reduce both their customers' and their own transaction costs through more efficient purchasing and lower selling costs.

In summary, microcomputer distribution is experiencing rapid growth and consolidation, creating an environment in which market share and the resulting cost efficiencies are critical.

Business Strategy

Tech Data, as the world's second largest distributor of microcomputer products, believes that its infrastructure and the size of its operation position it to gain share in its current markets as well as continue its expansion into new geographic markets. The Company's size and performance have allowed it to make significant investments in personnel, management information systems, distribution centers and other capital resources. The Company provides a broad array of products and services for its resellers, which allows them to satisfy their needs from a single source. The Company's competitive advantage is the result of its low cost structure, investment in sophisticated management information systems and its access to capital to finance growth.

To maintain and enhance its leadership position in wholesale distribution, the Company's business strategy includes the following main elements:

Maintain low cost and efficient operations. The Company has pursued a strategy of profitable revenue growth by providing its customers with the benefit of operating efficiencies achieved through centralized management and control, stringent cost controls and automation. The Company strictly regulates selling, general and administrative expenses; utilizes its highly automated order placement and processing systems to efficiently manage inventory and shipments and to reduce transaction costs; and realizes economies of scale in product purchasing, financing and working capital management. The Company has been successful in reducing selling, general and administrative expenses as a percentage of net sales from 6.8% for the fiscal year ended January 31, 1992 to 4.2% for the fiscal year ended January 31, 1998.

Leverage management information systems. In order to further improve its operating efficiencies and services to its resellers, the Company invested approximately $30 million in a scaleable, state-of-the-art computer information system which was implemented in December 1994. This system, which currently supports the Company's U.S. and Canadian operations and Latin American export operations, allows the Company to improve operating efficiencies and to offer additional services such as expanding its electronic commerce capabilities, including electronic data interchange and Tech Data On-Line electronic ordering and information systems. The Company's ordering system will be available on its World Wide Web site in the near future. The Company believes that growth in its electronic commerce capabilities will provide incremental economies of scale and further reduce transaction costs.

Offer a broad and balanced product mix. The Company offers its resellers a broad assortment of leading technology products. Currently, the Company offers more than 45,000 products from more than 900 manufacturers and publishers. By offering a broad product assortment, the Company can benefit from its resellers' objective to procure product more efficiently by reducing the number of their direct vendor relationships. The Company is continually broadening its product assortment and has recently expanded its offerings of communication products as a result of the convergence of the computing and telecommunication markets. The Company maintains a balanced product line of systems, peripherals, networking products and software to minimize the effects of fluctuation in supply and demand

Foster customer loyalty through superior customer service. Tech Data's sales force provides superior customer service through a dedicated team approach in order to differentiate itself from its competitors and foster customer loyalty. The Company provides services such as flexible customer financing and credit programs, a suite of electronic commerce tools (including electronic order entry and access to product specifications), pre- and post-sale technical support, products configuration, customized shipping documents, flexible product return policies and customer education programs. The Company believes its strategy of not competing with its customer base also promotes customer loyalty.

Broaden geographic coverage through international expansion. The Company plans to take advantage of its strong financial position, vendor relationships and distribution expertise to continue to expand its business in the markets it currently serves and additional markets. The Company's expansion strategy focuses on identifying companies with significant market positions and quality management teams in markets where there is developed or emerging demand for microcomputer products. Following expansion into a new market, Tech Data enhances its market share by providing capital, adding new product lines, competitively pricing its products and delivering value-added services. The Company's operations have expanded from its North American focus to include Europe with the acquisition in 1994 of France's largest wholesale microcomputer distributor. In February 1997, the Company continued its international expansion through the development of an in-country subsidiary which stocks and distributes products in Brazil. In July 1997, Tech Data broadened its European presence with the acquisition of a majority interest in one of Germany's largest wholesale microcomputer distributors, Macrotron AG.

Vendor Relations

The Company's strong financial and industry positions have enabled it to obtain contracts with most leading manufacturers and publishers. The Company purchases products directly from more than 900 manufacturers and publishers, generally on a nonexclusive basis. The Company's vendor agreements are believed to be in the form customarily used by each manufacturer and typically contain provisions which allow termination by either party upon 60 days notice. Generally, the Company's supplier agreements do not require it to sell a specified quantity of products or restrict the Company from selling similar products manufactured by competitors. Consequently, the Company has the flexibility to terminate or curtail sales of one product line in favor of another product line as a result of technological change, pricing considerations, product availability, customer demand and vendor distribution policies. Such agreements generally contain stock rotation and price protection provisions which, along with the Company's inventory management policies and practices, reduce the Company's risk of loss due to slow-moving inventory, vendor price reductions, product updates or obsolescence. Under the terms of many distribution agreements, suppliers will credit the distributor for declines in inventory value resulting from the supplier's price reductions if the distributor complies with certain conditions. In addition, under many such agreements, the distributor has the right to return for credit or exchange for other products a portion of those inventory items purchased, within a designated period of time. A supplier who elects to terminate a distribution agreement generally will repurchase from the distributor the supplier's products carried in the distributor's inventory. While the industry practices discussed above are sometimes not embodied in written agreements and do not protect the Company in all cases from declines in inventory value, management believes that these practices provide a significant level of protection from such declines. No assurance can be given, however, that such practices will continue or that they will adequately protect the Company against declines in inventory value. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Asset Management."

Major computer systems manufacturers have begun to re-engineer their manufacturing processes whereby final assembly will be performed at the distribution level ("channel assembly") versus the current "build-to-forecast" methodology employed by these manufacturers. Tech Data has been selected by Compaq, Hewlett-Packard and IBM to participate in their respective channel assembly programs. The Company currently performs configuration services at its South Bend distribution center which has been ISO 9002 certified. Tech Data began performing assembly services for IBM in October 1997 and expects to begin performing such services for Compaq and Hewlett-Packard in fiscal 1999. The Company plans to expand its configuration and final assembly services capabilities into its Fontana, California and Swedesboro, New Jersey distribution centers later this year.

In addition to providing manufacturers and publishers with one of the largest bases of resellers in the United States, Canada, Latin America, Germany, France, Switzerland and Austria, the Company also offers manufacturers and publishers the opportunity to participate in a number of special promotions, training programs and marketing services targeted to the needs of its resellers.

No single vendor accounted for more than 10% of the Company's net sales during fiscal 1998, 1997 or 1996, except sales of Compaq products which accounted for 13% and 12% of net sales in fiscal 1998 and 1997, respectively, and sales of Hewlett-Packard products which accounted for 13% of net sales in fiscal 1998.

Customers, Products and Services

The Company sells more than 45,000 microcomputer products including systems, peripherals, networking and software purchased directly from manufacturers and publishers in large quantities for sale to an active reseller base of more than 70,000 VARs, corporate resellers, direct marketers and retailers.

The Company's VARs typically do not have the resources to establish a large number of direct purchasing relationships or stock significant product inventories. This market segment is attractive because VARs, which constituted approximately 53% of Tech Data's net sales in fiscal 1998, generally rely on distributors as their principal source of computer products and financing. Corporate resellers, retailers and direct marketers may establish direct relationships with manufacturers and publishers for their more popular products, but utilize distributors as the primary source for other product requirements and the alternative source for products acquired direct. The Company's Tech Data Elect Program provides cost-plus pricing on certain high volume products, primarily computer systems and printers, and other special terms to target corporate resellers. Corporate resellers constituted approximately 30% of the Company's net sales in fiscal 1998. Tech Data also has developed special programs to meet the unique needs of retail and direct marketers, which customers constituted approximately 17% of the Company's net sales in fiscal 1998. No single customer accounted for more than 5% of the Company's net sales during fiscal 1998, 1997 or 1996.

The Company pursues a strategy of expanding its product line to offer its customers a broad assortment of products. Based upon the convergence of computing and communication technologies, the Company has also expanded its offering of communication products. From time to time, the demand for certain products sold by the Company exceeds the supply available from the manufacturer or publisher. The Company then receives an allocation of the products available. Management believes that the Company's ability to compete is not adversely affected by these periodic shortages and the resulting allocations.

Tech Data provides resellers a high-level of service through the Company's pre- and post-sale technical support, suite of electronic commerce tools (including on-line order entry and EDI services), customized shipping documents, product configuration services and flexible financing programs.

The Company delivers products throughout the United States, Canada, Latin America, Germany, France, Switzerland and Austria from its distribution centers in Miami, Florida; Atlanta, Georgia; Paulsboro, New Jersey; Ft. Worth, Texas; South Bend, Indiana; Ontario, California; Union City, California; Mississauga, Ontario (Canada); Richmond, British Columbia (Canada); São Paulo, Brazil; Munich, Germany; Bobigny (Paris), France; Hünenberg, Switzerland and Vienna, Austria. Locating distribution centers near its customers enables the Company to deliver products on a timely basis, thereby reducing customers' need to invest in inventory. See Item 2 - Properties for further discussion of the Company's locations and distribution centers.

Sales and Electronic Commerce

Currently, the Company's sales force consists of approximately 80 field sales representatives and 1,054 inside telemarketing sales representatives. Field sales representatives are located in major metropolitan areas. Each field representative is supported by inside telemarketing sales teams covering a designated territory. The Company's team concept provides a strong personal relationship between representatives of the customers and Tech Data. Territories with no field representation are serviced exclusively by the inside telemarketing sales teams. Customers typically call their inside sales teams on dedicated toll-free numbers to place orders. If the product is in stock and the customer has available credit, customer orders received by 5:00 p.m. local time are generally shipped the same day from the distribution facility nearest the customer.

Customers rely upon the Company's electronic ordering and information systems, product catalogs and frequent mailings as sources for product information, including prices. The Company's on-line computer system allows the inside sales teams to check for current stocking levels in each of the seven United States distribution centers. Likewise, inside sales teams in Canada, Brazil, Germany, France, Switzerland and Austria can check on stocking levels in their respective distribution centers. Through "Tech Data On-Line", the Company's proprietary electronic on-line system, U.S. customers can gain remote access to the Company's data processing system to check product availability and pricing and to place an order. Certain of the Company's larger customers have available EDI services whereby orders, order acknowledgments, invoices, inventory status reports, customized pricing information and other industry standard EDI transactions are consummated on-line which improves efficiency and timeliness for both the Company and the customers. The Company anticipates providing customers with access to order entry capabilities on the World Wide Web in the near future.

The Company provides comprehensive training to its field and inside sales representatives regarding technical characteristics of products and the Company's policies and procedures. Each new domestic sales representative attends a four to six-week course provided in-house by the Company. In addition, the Company's ongoing training program is supplemented by product seminars offered daily by manufacturers and publishers.

Competition

The Company operates in a market characterized by intense competition. Competition within the industry is based on product availability, credit availability, price, delivery and various services and support provided by the distributor to the customer. The Company believes that it is equipped to compete effectively with other distributors in these areas. Major competitors include Ingram Micro, Inc. and Merisel, Inc. in North America, Computer 2000 and CHS Electronics, Inc. in Europe and a variety of smaller distributors. The only competitor larger than the Company is Ingram Micro, Inc.

The Company also competes with manufacturers and publishers who sell directly to resellers and end-users. The Company nevertheless believes that in the majority of cases, manufacturers and publishers choose to sell products through distributors rather than directly because of the relatively small volume and high selling costs associated with numerous small orders. Management also believes that the Company's prompt delivery of products and efficient handling of returns provide an important competitive advantage over manufacturers' and publishers' efforts to market their products directly.

Employees

On January 31, 1998, the Company had approximately 5,075 full-time employees. The Company enjoys excellent relations with its employees, all of whom are non-union.

(d) Financial information about foreign and domestic operations and export sales

The geographic areas in which the Company operates are the United States (including exports to Latin America and the Caribbean) and International (Germany, France, Canada, Switzerland, Austria and Brazil). See Note 9 and Note 10 of Notes to Consolidated Financial Statements regarding the geographical distribution of the Company's net sales, operating income and identifiable assets and the acquisition of Macrotron AG.

Executive Officers

Steven A. Raymund, Chairman of the Board of Directors and Chief Executive Officer, age 42, has been employed by the Company since 1981, serving as Chief Executive Officer since January 1986 and as Chairman of the Board of Directors since April 1991. He has a B.S. Degree in Economics from the University of Oregon and a Masters Degree from the Georgetown University School of Foreign Service.

Anthony A. Ibargüen, President and Chief Operating Officer, age 38, joined the Company in September 1996 as President of the Americas and was appointed President and Chief Operating Officer in March 1997. Prior to joining the Company, he was employed by ENTEX Information Services, Inc. from August 1993 to August 1996 as Executive Vice President of Sales and Marketing. From June 1990 to August 1993, he was employed by JWP, Inc. most recently as a Vice President. Mr. Ibargüen holds a B.S. Degree in Marketing from Boston College and a Masters in Business Administration Degree from Harvard University.

Jeffery P. Howells, Executive Vice President and Chief Financial Officer, age 41, joined the Company in October 1991 as Vice President of Finance and assumed the responsibilities of Chief Financial Officer in March 1992. In March 1993, he was promoted to Senior Vice President of Finance and Chief Financial Officer and was promoted to Executive Vice President and Chief Financial Officer in March 1997. From June 1991 through September 1991 he was employed as Vice President of Finance of Inex Vision Systems. From 1979 to May 1991 he was employed by Price Waterhouse, most recently as a Senior Audit Manager. Mr. Howells is a Certified Public Accountant and holds a B.B.A. Degree in Accounting from Stetson University.

Peggy K. Caldwell, Senior Vice President of Marketing, age 52, joined the Company in May 1992. Prior to joining the Company, she was employed by International Business Machines Corporation for 25 years, most recently serving in a variety of senior management positions in the National Distribution Division. Ms. Caldwell holds a B.S. Degree in Mathematics and Physics from Bucknell University.

Timothy J. Curran, Senior Vice President of Sales, age 46, joined the Company in April 1997. Prior to joining the Company, he was employed by Panasonic Communications and Systems Company (including various other Panasonic affiliates) from 1983 to 1997 serving in a variety of senior management positions. Mr. Curran holds a B.A. Degree in History from the University of Notre Dame and a Ph.D. in International Relations from Columbia University.

Lawrence W. Hamilton, Senior Vice President of Human Resources, age 40, joined the Company in August 1993 as Vice President of Human Resources and was promoted to Senior Vice President in March 1996. Prior to joining the Company, he was employed by Bristol-Myers Squibb Company from 1985 to August 1993, most recently as Vice President - Human Resources and Administration of Linvatec Corporation (a division of Bristol-Myers Squibb Company). Mr. Hamilton holds a B.A. Degree in Political Science from Fisk University and a Masters of Public Administration, Labor Policy from the University of Alabama.

Gerald M. Labie, President and Managing Director of European Operations, age 54, joined the Company in November 1997. Prior to joining the Company, he was employed by Corporate Software Inc. from 1989 to 1997, most recently serving in the role of Senior Vice President and General Manager, Europe. Mr. Labie holds a B.A. Degree from Alfred University.

H. John Lochow, Senior Vice President and Chief Information Officer, age 45, joined the Company in February 1998. Prior to joining the Company, he served as Chief Information Officer at Bell Canada and Chief Executive of their international subsidiary Bell Sygma from 1996 to February 1998. From 1994 to 1996, he was employed by AT&T Capital Corporation as Vice President of Systems and New Business Development and from 1989 to 1994 he was employed by CNA Insurance Companies as Vice President of Systems. Mr. Lochow holds a B.A. Degree in Mathematics from Thomas Edison University.

Yuda Saydun, Senior Vice President and General Manager - Latin America, age 44, joined the Company in May 1993 as Vice President and General Manager - Latin America. In March 1997 he was promoted to Senior Vice President and General Manager - Latin America. Prior to joining the Company, he was employed by American Express Travel Related Services Company, Inc. from 1982 to May 1993, most recently as Division Vice President, Cardmember Marketing. Mr. Saydun holds a B.S. Degree in Political and Diplomatic Sciences from Universite Libre de Bruxelles and a Masters of Business Administration Degree, Finance/Marketing from U.C.L.A.

Joseph B. Trepani, Senior Vice President and Corporate Controller, age 37, joined the Company in March 1990 as Controller and held the position of Director of Operations from October 1991 through January 1995. In February 1995, he was promoted to Vice President and Worldwide Controller and to Senior Vice President in March 1998. Prior to joining the Company, Mr. Trepani was Vice President of Finance for Action Staffing, Inc. from July 1989 to February 1990. From 1982 to June 1989, he was employed by Price Waterhouse. Mr. Trepani is a Certified Public Accountant and holds a B.S. Degree in Accounting from Florida State University.

Theodore F. Augustine, Vice President of Distribution and Logistics, age 51, joined the Company in July 1996. Prior to joining the Company he served as President of M-Group Logistics, Inc. from June 1995 to July 1996. From 1989 to June 1995 he was employed by The Eli Witt Company as Executive Vice President and Chief Operations Officer. Mr. Augustine holds a Masters of Business Administration Degree from Loyola College.

Patrick O. Connelly, Vice President of Worldwide Credit Services, age 52, joined the Company in August 1994. Prior to joining the Company, he was employed by Unisys Corporation for nine years as Worldwide Director of Credit. Mr. Connelly holds a B.A. Degree in History and French from the University of Texas at Austin.

Charles V. Dannewitz, Vice President of Taxes, age 43, joined the Company in February 1995. Prior to joining the Company, he was employed by Price Waterhouse for 13 years, most recently as a Tax Partner. Mr. Dannewitz is a Certified Public Accountant and holds a B.S. Degree in Accounting from Illinois Wesleyan University.

Arthur W. Singleton, Vice President, Treasurer and Secretary, age 37, joined the Company in January 1990 as Director of Finance and was appointed Treasurer and Secretary in April 1991. In February 1995, he was promoted to Vice President, Treasurer and Secretary. Prior to joining the Company, Mr. Singleton was employed by Price Waterhouse from 1982 to December 1989, most recently as an Audit Manager. Mr. Singleton is a Certified Public Accountant and holds a B.S. Degree in Accounting from Florida State University.

David R. Vetter, Vice President and General Counsel, age 39, joined the Company in June 1993. Prior to joining the Company, he was employed by the law firm of Robbins, Gaynor & Bronstein, P.A. from 1984 to June 1993, most recently as a partner. Mr. Vetter is a member of the Florida Bar and holds a B.A. Degree in English and Economics from Bucknell University and a J.D. Degree from the University of Florida.

ITEM 2. *Properties*

Tech Data's executive offices, are located in Clearwater, Florida, all of which buildings, except for one, are owned by the Company. In addition, the Company maintains distribution centers in Miami, Florida; Atlanta, Georgia; Paulsboro, New Jersey; Ft. Worth, Texas; South Bend, Indiana; Ontario, California; Union City, California; Mississauga, Ontario (Canada); Richmond, British Columbia (Canada); Bobigny (Paris), France; São Paulo, Brazil; Munich, Germany; Hünenberg, Switzerland; and Vienna, Austria. The Company leases all of the preceding distribution centers with the exception of one of its Munich locations. The Company also operates training centers in nine cities in the U.S.

The Company is nearing completion of a project to significantly expand five of its seven U.S. distribution centers which will encompass a total of 2.2 million square-feet when completed later this year as compared to the former capacity of 800,000 square feet. Four of the five new U.S. distribution center locations include adjacent land which provides enough space to double the capacity of each of these locations to meet future growth requirements. The facilities of the Company are substantially utilized, well-maintained and are adequate to conduct the Company's current business.

ITEM 3. *Legal Proceedings*

There are no material legal proceedings pending against the Company.

ITEM 4. ***Submission of Matters to a Vote of Security Holders***

There have been no matters submitted to a vote of security holders during the last quarter of the fiscal year ended January 31, 1998.

PART II

ITEM 5. ***Market for the Registrant's Common Stock and Related Shareholder Matters***

The Company's common stock is traded on The Nasdaq Stock Market under the symbol TECD. The Company has not paid cash dividends since fiscal 1983. The Board of Directors does not intend to institute a cash dividend payment policy in the foreseeable future. The table below presents the quarterly high and low sales prices for the Company's common stock as reported by The Nasdaq Stock Market. The approximate number of shareholders as of January 31, 1998 was 17,000.

	Sales Price	
	High	**Low**
Fiscal year 1998		
Fourth quarter	**$ 47 3/4**	**$ 34 1/8**
Third quarter	**51 3/4**	**36 1/4**
Second quarter	**39 15/16**	**22 7/8**
First quarter	**27 1/2**	**19 3/4**
Fiscal year 1997		
Fourth quarter	$ 36 3/8	$ 21 5/8
Third quarter	30 3/8	22 1/8
Second quarter	24 3/4	18 1/4
First quarter	19 1/2	13

ITEM 6. *Selected Financial Data*

FIVE YEAR FINANCIAL SUMMARY
(In thousands, except per share data)

	Year ended January 31,				
	1998	**1997**	**1996**	**1995**	**1994**
Income statement data:					
Net sales	**$ 7,056,619**	$ 4,598,941	$ 3,086,620	$ 2,418,410	$ 1,532,352
Cost and expenses:					
Cost of products sold	**6,590,873**	4,277,160	2,867,226	2,219,122	1,397,967
Selling, general and administrative expenses	**293,108**	206,770	163,790	127,951	79,390
	6,883,981	4,483,930	3,031,016	2,347,073	1,477,357
Operating profit	**172,638**	115,011	55,604	71,337	54,995
Interest expense	**29,908**	21,522	20,086	13,761	5,008
Income before income taxes	**142,730**	93,489	35,518	57,576	49,987
Provision for income taxes	**52,816**	36,516	13,977	22,664	19,774
Income before minority interest	**89,914**	56,973	21,541	34,912	30,213
Minority interest	**429**	—	—	—	—
Net income	**$ 89,485**	$ 56,973	$ 21,541	$ 34,912	$ 30,213
Net income per common share:					
Basic	**$ 2.00**	$ 1.39	$ .57	$ .92	$ .83
Diluted	**$ 1.92**	$ 1.35	$ .56	$ .91	$ .83
Weighted average common shares outstanding:					
Basic	**44,715**	40,870	37,846	37,758	36,196
Diluted	**46,610**	42,125	38,138	38,258	36,590
Dividends per common share	—	—	—	—	—
Balance sheet data:					
Working capital	**$ 537,381**	$ 351,993	$ 201,704	$ 182,802	$ 165,366
Total assets	**2,185,383**	1,545,294	1,043,879	784,429	506,760
Revolving credit loans	**540,177**	396,391	283,100	304,784	153,105
Long-term debt	**8,683**	8,896	9,097	9,682	9,467
Shareholders' equity	**702,588**	438,381	285,698	260,826	213,326

ITEM 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following table sets forth the percentage of cost and expenses to net sales derived from the Company's Consolidated Statement of Income for each of the three preceding fiscal years.

	Percentage of net sales		
	Year ended January 31,		
	1998	**1997**	**1996**
Net sales	**100.0%**	100.0%	100.0%
Cost and expenses:			
Cost of products sold	**93.4**	93.0	92.9
Selling, general and administrative expenses	**4.2**	4.5	5.3
	97.6	97.5	98.2
Operating profit	**2.4**	2.5	1.8
Interest expense	**.4**	.5	.6
Income before income taxes	**2.0**	2.0	1.2
Provision for income taxes	**.7**	.8	.5
Income before minority interest	**1.3**	1.2	.7
Minority interest	**–**	–	–
Net income	**1.3%**	1.2%	.7%

Fiscal Years Ended January 31, 1998 and 1997

Net sales increased 53.4% to $7.1 billion in fiscal 1998 compared to $4.6 billion in the prior year. This increase is attributable to the acquisition of Macrotron AG, the addition of new product lines and the expansion of existing product lines combined with an increase in the Company's market share. The Company's U.S. and international sales grew 40.3% and 143.1% respectively, in fiscal 1998 compared to the prior year. The significant growth in the Company's international sales is attributable to the acquisition of Macrotron AG, in which the Company acquired a controlling interest on July 1, 1997. The Company's international sales in fiscal 1998 were approximately 20% of consolidated net sales compared with 13% in the prior year.

The cost of products sold as a percentage of net sales increased from 93.0% in fiscal 1997 to 93.4% in fiscal 1998. This increase is a result of competitive market prices and the Company's strategy of lowering selling prices in order to gain market share and to pass on the benefit of operating efficiencies to its customers.

Selling, general and administrative expenses increased 41.8% from $206.8 million in fiscal 1997 to $293.1 million in fiscal 1998, and as a percentage of net sales decreased to 4.2% in fiscal 1998 from 4.5% in the prior year. This decline in selling, general and administrative expenses as a percentage of net sales is attributable to greater economies of scale the Company realized during fiscal 1998 in addition to improved operating efficiencies. The dollar value increase in selling, general and administrative expenses is attributable to the acquisition of Macrotron AG and the expanded employment and increases in other operating expenses needed to support the increased volume of business.

As a result of the factors described above, operating profit in fiscal 1998 increased 50.1% to $172.6 million, or 2.4% of net sales, compared to $115.0 million, or 2.5% of net sales, in fiscal 1997. A factor contributing to the decrease in the operating profit margin from 2.5% in fiscal 1997 to 2.4% in fiscal 1998 was the acquisition of Macrotron AG. Macrotron's operating model employs a lower operating profit margin due to its higher asset turnover, as compared to the Company's U.S. business.

Interest expense increased due to an increase in the Company's average outstanding indebtedness related to funding continued growth, the acquisition of Macrotron AG and capital expenditures. The increase in interest expense was partially offset in fiscal 1998 by decreases in short-term interest rates on the Company's floating rate indebtedness and by the receipt of net proceeds of approximately $149 million from the Company's November 1997 common stock offering which were used to reduce indebtedness.

The Company's average income tax rate declined to 37.0% for fiscal 1998 as compared to 39.1% for fiscal 1997. This reduction primarily is the result of a larger portion of the Company's income being subject to lower state income tax jurisdictions.

Net income in fiscal 1998 increased 57.1% to $89.5 million, or $1.92 per diluted share, compared to $57.0 million, or $1.35 per diluted share, in the prior year.

Fiscal Years Ended January 31, 1997 and 1996

Net sales increased 49.0% to $4.6 billion in fiscal 1997 compared to $3.1 billion in the prior year. This increase is attributable to the addition of new product lines and the expansion of existing product lines combined with an increase in the Company's market share. The rate of growth in fiscal year 1997 was also positively impacted by a lower growth rate in the prior comparable period as the Company was recovering from the effects of the business interruptions caused by the conversion to a new computer system in December 1994. The Company's U.S. and international sales grew 51% and 36% respectively, in fiscal 1997 compared to the prior year. The Company's international sales in fiscal 1997 were approximately 13% of consolidated net sales.

The cost of products sold as a percentage of net sales increased from 92.9% in fiscal 1996 to 93.0% in fiscal 1997. This increase is a result of competitive market prices and the Company's strategy of lowering selling prices in order to gain market share and to pass on the benefit of operating efficiencies to its customers.

Selling, general and administrative expenses increased by 26.2% from $163.8 million in fiscal 1996 to $206.8 million in fiscal 1997, and as a percentage of net sales decreased to 4.5% in fiscal 1997 from 5.3% in the prior year. This decline in selling, general and administrative expenses as a percentage of net sales is attributable to greater economies of scale the Company realized during fiscal 1997 in addition to improved operating efficiencies. The dollar value increase in selling, general and administrative expenses is primarily a result of expanded employment and increases in other administrative expenses needed to support the increased volume of business.

As a result of the factors described above, operating profit in fiscal 1997 increased 106.8% to $115.0 million, or 2.5% of net sales, compared to $55.6 million, or 1.8% of net sales, in fiscal 1996.

Interest expense increased due to an increase in the Company's average outstanding indebtedness, partially offset by decreases in short-term interest rates on the Company's floating rate indebtedness. Interest expense was further moderated in fiscal 1997 by the receipt of net proceeds of approximately $83.3 million from the Company's July 1996 common stock offering which were used to reduce indebtedness.

Net income in fiscal 1997 increased 164.5% to $57.0 million, or $1.35 per diluted share, compared to $21.5 million, or $.56 per diluted share, in the prior year.

Recent Accounting Pronouncements

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income" ("SFAS 130"). SFAS 130 establishes standards for reporting and display of comprehensive income and its components and is effective for financial statements for fiscal years beginning after December 15, 1997. This standard addresses disclosure issues and therefore will not affect the Company's financial position or results of operations.

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"). SFAS 131 requires that companies disclose segment data based on how management makes decisions about allocating resources to segments and measuring their performance. SFAS 131 will be effective for fiscal years beginning after December 15, 1997. This standard addresses disclosure issues and therefore will not affect the Company's financial position or results of operations.

Impact of Inflation

The Company has not been adversely affected by inflation as technological advances and competition within the microcomputer industry have generally caused prices of the products sold by the Company to decline. Management believes that any price increases could be passed on to its customers, as prices charged by the Company are not set by long-term contracts.

Year 2000 Compliance

The Company has conducted a comprehensive audit of the “Year 2000” issues affecting its operations and is in the process of implementing required modifications to its systems. The underlying issues are not expected to have a material adverse affect on the Company’s operations or financial position. The cost of addressing “Year 2000” issues has not been material to the Company to date and is not expected to be in future periods.

Liquidity and Capital Resources

Net cash used in operating activities of $126.3 million in fiscal 1998 was primarily attributable to growth in sales and the resulting increases in accounts receivable and inventories.

Net cash used in investing activities of $116.3 million in fiscal 1998 was a result of the payment of $68.1 million related to the acquisition of the common and preferred stock of Macrotron combined with the Company’s continuing investment of $48.1 million in its management information system capability, office facilities and equipment for distribution centers. The Company expects to make capital expenditures of approximately $75 - $100 million during fiscal 1999 to further expand its management information systems, office facilities and distribution centers.

Net cash provided by financing activities of $244.6 million in fiscal 1998 was provided by additional borrowings of $76.8 million under the Company’s revolving credit loans in addition to net proceeds of approximately $149 million from the November 1997 common stock offering and approximately $19 million of proceeds from other issuance of the Company’s common stock.

The Company currently maintains domestic and foreign revolving credit agreements which provide maximum short-term borrowings of approximately $907 million (including local country credit lines), of which $540 million was outstanding at January 31, 1998. In November 1997, the Company completed a public offering of 3.7 million shares of its common stock resulting in net proceeds of approximately $149 million. The Company believes that proceeds from the common stock offering, along with cash from operations, available and obtainable bank credit lines and trade credit from its vendors will be sufficient to satisfy its working capital and capital expenditure needs through fiscal 1999.

Asset Management

The Company manages its inventories by maintaining sufficient quantities to achieve high order fill rates while attempting to stock only those products in high demand with a rapid turnover rate. Inventory balances fluctuate as the Company adds new product lines and when appropriate, makes large purchases, including cash purchases from manufacturers and publishers when the terms of such purchases are considered advantageous. The Company's contracts with most of its vendors provide price protection and stock rotation privileges to reduce the risk of loss due to manufacturer price reductions and slow moving or obsolete inventory. In the event of a vendor price reduction, the Company generally receives a credit for the impact on products in inventory. In addition, the Company has the right to rotate a certain percentage of purchases, subject to certain limitations. Historically, price protection and stock rotation privileges as well as the Company’s inventory management procedures have helped to reduce the risk of loss of carrying inventory.

The Company attempts to control losses on credit sales by closely monitoring customers' creditworthiness through its computer system which contains detailed information on each customer's payment history and other relevant information. The Company has obtained credit insurance which insures a percentage of the credit extended by the Company to certain of its larger domestic and international customers against possible loss. Customers who qualify for credit terms are typically granted net 30-day payment terms. The Company also sells products on a prepay, credit card, cash on delivery and floor-plan basis.

Comments on Forward-Looking Information

In connection with the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, the Company has filed Exhibit 99A as part of this Form 10-K which outlines cautionary statements and identifies important factors that could cause the Company’s actual results to differ materially from those projected in forward-looking statements made by, or on behalf of, the Company. Such forward-looking statements, as made within Items 1 and 7 of this Form 10-K, should be considered in conjunction with the aforementioned Exhibit 99A.

ITEM 8. ***Financial Statements***

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of Tech Data Corporation:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of changes in shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Tech Data Corporation and its subsidiaries at January 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse LLP

Price Waterhouse LLP
Tampa, Florida
March 18, 1998

REPORT OF MANAGEMENT

To Our Shareholders:

The management of Tech Data Corporation is responsible for the preparation, integrity and objectivity of the consolidated financial statements and related financial information contained in this Annual Report. The financial statements have been prepared by the Company in accordance with generally accepted accounting principles and, in the judgment of management, present fairly and consistently the Company's financial position and results of operations. The financial statements and other financial information in this report include amounts that are based on management's best estimates and judgments and give due consideration to materiality.

The Company maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. The design, monitoring and revisions of the system of internal accounting controls involves, among other things, management's judgment with respect to the relative cost and expected benefits of specific control measures.

The Audit Committee of the Board of Directors is responsible for recommending to the Board, subject to shareholder approval, the independent certified public accounting firm to be retained each year. The Audit committee meets periodically with the independent accountants and management to review their performance and confirm that they are properly discharging their responsibilities. The independent accountants have direct access to the Audit Committee to discuss the scope and results of their work, the adequacy of internal accounting controls and the quality of financial reporting.

Steven A. Raymund	Jeffery P. Howells
Chairman of the Board Directors	Executive Vice President
and Chief Executive Officer	and Chief Financial Officer
March 18, 1998	

TECH DATA CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(In thousands, except share amounts)

	January 31, 1998	January 31, 1997
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 2,749**	$ 661
Accounts receivable, less allowance of $29,731 and $23,922	**909,426**	633,579
Inventories	**1,028,367**	759,974
Prepaid and other assets	**65,843**	55,796
Total current assets	**2,006,385**	1,450,010
Property and equipment, net	**100,562**	65,597
Excess of cost over acquired net assets, net	**55,460**	5,922
Other assets, net	**22,976**	23,765
	$ 2,185,383	$ 1,545,294
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Revolving credit loans	**$ 540,177**	$ 396,391
Accounts payable	**850,866**	658,732
Accrued expenses	**77,961**	42,894
Total current liabilities	**1,469,004**	1,098,017
Long-term debt	**8,683**	8,896
Total liabilities	**1,477,687**	1,106,913
Minority interest	**5,108**	–
Commitments and contingencies (Note 8)		
Shareholders' equity:		
Preferred stock, par value $.02; 226,500 shares authorized and issued; liquidation preference $.20 per share	**5**	5
Common stock, par value $.0015; 200,000,000 and 100,000,000 shares authorized; 48,250,349 and 43,291,423 issued and outstanding	**72**	65
Additional paid-in capital	**403,880**	226,577
Retained earnings	**299,768**	210,283
Cumulative translation adjustment	**(1,137)**	1,451
Total shareholders' equity	**702,588**	438,381
	$ 2,185,383	$ 1,545,294

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

TECH DATA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
(In thousands, except per share amounts)

	Year ended January 31, 1998	1997	1996
Net sales	**$ 7,056,619**	$ 4,598,941	$ 3,086,620
Cost and expenses:			
Cost of products sold	**6,590,873**	4,277,160	2,867,226
Selling, general and administrative expenses	**293,108**	206,770	163,790
	6,883,981	4,483,930	3,031,016
Operating profit	**172,638**	115,011	55,604
Interest expense	**29,908**	21,522	20,086
Income before income taxes	**142,730**	93,489	35,518
Provision for income taxes	**52,816**	36,516	13,977
Income before minority interest	**89,914**	56,973	21,541
Minority interest	**429**	–	–
Net income	**$ 89,485**	$ 56,973	$ 21,541
Net income per common share:			
Basic	**$ 2.00**	$ 1.39	$ .57
Diluted	**$ 1.92**	$ 1.35	$ .56
Weighted average common shares outstanding:			
Basic	**44,715**	40,870	37,846
Diluted	**46,610**	42,125	38,138

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands)

	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Cumulative Translation Adjustment	Total Shareholders' Equity
Balance – January 31, 1995	227	$5	37,808	$57	$127,947	$131,769	$1,048	$260,826
Issuance of common stock for stock options exercised and related tax benefit			123		2,098			2,098
Net income						21,541		21,541
Translation adjustments							1,233	1,233
Balance -- January 31, 1996	227	5	37,931	57	130,045	153,310	2,281	285,698
Issuance of common stock for stock options exercised and related tax benefit			760	1	13,223			13,224
Issuance of common stock net of offering costs			4,600	7	83,309			83,316
Net income						56,973		56,973
Translation adjustments							(830)	(830)
Balance – January 31, 1997	**227**	**5**	**43,291**	**65**	**226,577**	**210,283**	**1,451**	**438,381**
Issuance of common stock in business purchase			**407**	**1**	**9,255**			**9,256**
Issuance of common stock for stock options exercised and related tax benefit			**861**	**1**	**19,077**			**19,078**
Issuance of common stock net of offering costs			**3,691**	**5**	**148,971**			**148,976**
Net income						**89,485**		**89,485**
Translation adjustments							**(2,588)**	**(2,588)**
Balance – January 31, 1998	**227**	**$5**	**48,250**	**$72**	**$403,880**	**$299,768**	**$(1,137)**	**$702,588**

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

TECH DATA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands)

	Year ended January 31, 1998	1997	1996
Cash flows from operating activities:			
Cash received from customers	**$ 6,870,096**	$ 4,390,916	$ 2,933,831
Cash paid to suppliers and employees	**(6,914,537)**	(4,513,309)	(2,854,653)
Interest paid	**(29,909)**	(21,122)	(20,276)
Income taxes paid	**(51,949)**	(45,037)	(11,628)
Net cash (used in) provided by operating activities	**(126,299)**	(188,552)	47,274
Cash flows from investing activities:			
Acquisition of business, net of cash acquired	**(68,136)**	–	–
Expenditures for property and equipment	**(45,900)**	(19,229)	(23,596)
Software development costs	**(2,216)**	(2,024)	(2,826)
Net cash used in investing activities	**(116,252)**	(21,253)	(26,422)
Cash flows from financing activities:			
Proceeds from issuance of common stock	**168,054**	96,540	2,098
Net borrowings (repayments) from revolving credit loans	**76,786**	113,291	(21,684)
Principal payments on long-term debt	**(201)**	(519)	(608)
Net cash provided by (used in) financing activities	**244,639**	209,312	(20,194)
Net increase (decrease) in cash and cash equivalents	**2,088**	(493)	658
Cash and cash equivalents at beginning of year	**661**	1,154	496
Cash and cash equivalents at end of year	**$ 2,749**	$ 661	$ 1,154
Reconciliation of net income to net cash (used in) provided by operating activities:			
Net income	**$ 89,485**	$ 56,973	$ 21,541
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Depreciation and amortization	**26,364**	20,011	17,364
Provision for losses on accounts receivable	**22,634**	19,648	17,433
Loss on disposal of fixed assets	–	446	603
Deferred income taxes	**3,720**	(5,051)	(5,603)
Changes in assets and liabilities:			
(Increase) in accounts receivable	**(183,481)**	(208,025)	(152,789)
(Increase) in inventories	**(181,393)**	(294,552)	(100,891)
(Increase) in prepaid and other assets	**(8,317)**	(13,962)	(7,254)
Increase in accounts payable	**106,134**	225,358	239,161
(Decrease) increase in accrued expenses	**(1,445)**	10,602	17,709
Total adjustments	**(215,784)**	(245,525)	25,733
Net cash (used in) provided by operating activities	**$ (126,299)**	$ (188,552)	$ 47,274

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of consolidation

The consolidated financial statements include the accounts of Tech Data Corporation and its subsidiaries (the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation.

Method of accounting

The Company prepares its financial statements in conformity with generally accepted accounting principles. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition

Sales are recorded upon shipment. The Company allows its customers to return product for exchange or credit subject to certain limitations. Provision for estimated losses on such returns are recorded at the time of sale (see product warranty below). Funds received from vendors for marketing programs and product rebates are accounted for as a reduction of selling, general and administrative expenses or product cost according to the nature of the program.

Inventories

Inventories (consisting of computer related hardware and software products) are stated at the lower of cost or market, cost being determined on the first-in, first-out (FIFO) method.

Property and equipment

Property and equipment are stated at cost. Depreciation is computed over the estimated economic lives (or lease period if shorter) using the following methods:

	Method	Years
Buildings and improvements	Straight-line	15 - 39
Leasehold improvements	Straight-line	2 - 5
Furniture, fixtures and equipment	Accelerated and straight-line	2 - 7

Expenditures for renewals and improvements that significantly add to productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to operations when incurred. When assets are sold or retired, the cost of the asset and the related accumulated depreciation are eliminated from the accounts and any gain or loss is recognized at such time.

Excess of cost over acquired net assets

The excess of cost over acquired net assets is being amortized on a straight-line basis over 15 to 35 years. Amortization expense was $1,458,000, $602,000 and $646,000 in 1998, 1997 and 1996, respectively. The accumulated amortization of goodwill is approximately $3,563,000 and $2,264,000 at January 31, 1998 and 1997, respectively. The Company evaluates, on a regular basis, whether events and circumstances have occurred that indicate the carrying amount of goodwill may warrant revision or may not be recoverable. At January 31, 1998, the net unamortized balance of goodwill is not considered to be impaired.

Capitalized deferred software costs

Deferred software costs are included in other assets and represent internal development costs and payments to vendors for the design, purchase and implementation of the computer software for the Company's operating and financial systems. Such deferred costs are being amortized over three to seven years with amortization expense of $4,967,000, $4,611,000 and $4,253,000 in 1998, 1997 and 1996, respectively. The accumulated amortization of such costs was $14,160,000 and $9,193,000 at January 31, 1998 and 1997, respectively. The remaining unamortized balance of such costs was $17,894,000 and $20,645,000 at January 31, 1998 and 1997, respectively.

Product warranty

The Company does not offer warranty coverage. However, to maintain customer goodwill, the Company facilitates vendor warranty policies by accepting for exchange (with the Company's prior approval) defective products within 60 days of invoicing. Defective products received by the Company are subsequently returned to the vendor for credit or replacement.

Income taxes

Income taxes are accounted for under the liability method. Deferred taxes reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting amounts. Deferred taxes have not been provided on the cumulative undistributed earnings of foreign subsidiaries since such amounts are expected to be reinvested indefinitely.

Foreign currency translation

The assets and liabilities of foreign operations are translated at the exchange rates in effect at the balance sheet date, with the related translation gains or losses reported as a separate component of shareholders' equity. The results of foreign operations are translated at the weighted average exchange rates for the year. Gains or losses resulting from foreign currency transactions are included in the statement of income.

Concentration of credit risk

The Company sells its products to a large base of value-added resellers ("VARs"), corporate resellers, retailers and direct marketers throughout the United States, Canada, Latin America, Germany, France, Switzerland and Austria. The Company also performs ongoing credit evaluations of its customers and generally does not require collateral. The Company has obtained credit insurance which insures a percentage of credit extended by the Company to certain of its larger domestic and international customers against possible loss. The Company makes provisions for estimated credit losses at the time of sale.

Derivative financial instruments

The Company operates internationally with distribution facilities in various locations around the world. The Company reduces its exposure to fluctuations in interest rates and foreign exchange rates by creating offsetting positions through the use of derivative financial instruments. The market risk related to the foreign exchange agreements is offset by changes in the valuation of the underlying items being hedged. The majority of the Company's derivative financial instruments have terms of 180 days or less. The Company currently does not use derivative financial instruments for trading or speculative purposes, nor is the Company a party to leveraged derivatives.

Derivative financial instruments are accounted for on an accrual basis. Income and expense are recorded in the same category as that arising from the related asset or liability being hedged. Gains and losses resulting from effective hedges of existing assets, liabilities or firm commitments are deferred and recognized when the offsetting gains and losses are recognized on the related hedged items.

The notional amount of forward exchange contracts and options is the amount of foreign currency bought or sold at maturity. The notional amount of currency interest rate swaps is the underlying principal and currency amounts used in determining the interest payments exchanged over the life of the swap. Notional amounts are indicative of the extent of the Company's involvement in the various types and uses of derivative financial instruments and are not a measure of the Company's exposure to credit or market risks through its use of derivatives. The estimated fair value of derivative financial instruments represents the amount required to enter into like off-setting contracts with similar remaining maturities based on quoted market prices.

The Company's derivative financial instruments outstanding at January 31, 1998 are as follows: (Derivative instruments outstanding at January 31, 1997 were not material)

	January 31, 1998	
	Notional Amounts	Estimated Fair Value
	(In thousands)	
Foreign exchange forward contracts	**$ 78,043**	**$ 939**
Purchased foreign currency options	**500**	**(12)**
Currency interest rate swaps	**128,300**	**377**

Disclosures about fair value of financial instruments

Financial instruments (excluding derivative financial instruments) that are subject to fair value disclosure requirements are carried in the consolidated financial statements at amounts that approximate fair value.

Net income per common share

Effective for the fiscal year ended January 31, 1998, the Company has adopted Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS 128") and related interpretations. SFAS 128 requires dual presentation of Basic Earnings per Share ("Basic EPS") and Diluted Earnings per Share ("Diluted EPS"). Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding during the reported period. Diluted EPS reflects the potential dilution that could occur if stock options were exercised using the treasury stock method. Earnings per share for all prior periods have been restated to reflect the adoption of SFAS 128. The composition of basic and diluted net income per common share is as follows:

	Year ended January 31,		
	1998	1997	1996
	(In thousands, except per share amounts)		
Net income	**$ 89,485**	$ 56,973	$ 21,541
Weighted average shares	**44,715**	40,870	37,846
Net income per common share - basic	**$ 2.00**	$ 1.39	$ .57
Weighted average shares including the dilutive effect of stock options (1,895, 1,255 and 292 for fiscal 1998, 1997 and 1996, respectively)	**46,610**	42,125	38,138
Net income per common share - diluted	**$ 1.92**	$ 1.35	$ .56

Cash management system

Under the Company's cash management system, disbursements cleared by the bank are reimbursed on a daily basis from the revolving credit loans. As a result, checks issued but not yet presented to the bank are not considered reductions of cash or accounts payable. Included in accounts payable are $60,000,000 and $111,826,000 at January 31, 1998 and 1997, respectively, for which checks are outstanding.

Statement of cash flows

Short-term investments which have an original maturity of ninety days or less are considered cash equivalents in the statement of cash flows. The effect of changes in foreign exchange rates on cash balances is not material. See Note 9 of Notes to Consolidated Financial Statements regarding the non-cash exchange of common stock in connection with a business combination.

Fiscal year

The Company and its subsidiaries operate on a fiscal year that ends on January 31, except for the Company's French, German and Brazilian subsidiaries which operate on a fiscal year that ends on December 31.

NOTE 2 - PROPERTY AND EQUIPMENT:

	January 31, 1998	January 31, 1997
	(In thousands)	
Land	**$ 7,805**	$ 3,898
Buildings and improvements	**36,543**	29,155
Furniture, fixtures and equipment	**112,821**	75,982
Construction in progress	**12,359**	629
	169,528	109,664
Less-accumulated depreciation	**(68,966)**	(44,067)
	$ 100,562	$ 65,597

NOTE 3 - REVOLVING CREDIT LOANS:

The Company has an agreement (the "Receivables Securitization Program") with a financial institution that allows the Company to transfer an undivided interest in a designated pool of accounts receivable on an ongoing basis to provide borrowings up to a maximum of $325,000,000. As collections reduce accounts receivable balances included in the pool, the Company may transfer interests in new receivables to bring the amount available to be borrowed up to the $325,000,000 maximum. The Company pays interest on advances under the Receivables Securitization Program at a designated commercial paper rate, plus an agreed-upon spread. At January 31, 1998, the Company had a $237,420,000 outstanding balance under this program which is included in the balance sheet caption "Revolving Credit Loans". This agreement expires December 31, 1998.

In August 1997, the Company entered into a new three-year unsecured $550,000,000 multi-currency revolving credit facility replacing its former $290,000,000 facility. The Company and its subsidiaries are able to borrow funds in sixteen major foreign currencies under this agreement.

As of January 31, 1998, the Company maintained domestic and foreign revolving credit loan agreements (including the Receivables Securitization Program) with a total of twenty financial institutions which provide for maximum short-term borrowings of approximately $907,000,000 (including local country credit loans). At January 31, 1998, the weighted average interest rate on all short-term borrowings was 4.89%. The Company can fix the interest rate for periods of 30 to 180 days under various interest rate options. The credit agreements contain warranties and covenants that must be complied with on a continuing basis, including the maintenance of certain financial ratios. At January 31, 1998, the Company was in compliance with all such covenants.

NOTE 4 - LONG-TERM DEBT:

	January 31, 1998	January 31, 1997
	(In thousands)	
Mortgage note payable, interest at 10.25%, principal and interest of $85,130 payable monthly, balloon payment due 2005	**$ 8,788**	$ 8,902
Mortgage note payable funded through Industrial Revenue Bond, interest at 7.5%, principal and interest payable quarterly, through 1999	**108**	195
	8,896	9,097
Less - current maturities	**(213)**	(201)
	$ 8,683	$ 8,896

Principal maturities of long-term debt at January 31, 1998 for the succeeding five fiscal years are as follows: 1999 - $213,000; 2000 - $162,000; 2001 - $155,000; 2002 - $172,000; 2003 - $191,000.

Mortgage notes payable are secured by property and equipment with an original cost of approximately $12,000,000. The Industrial Revenue Bond contains covenants which require the Company to maintain certain financial ratios with which the Company was in compliance at January 31, 1998.

NOTE 5 - INCOME TAXES (In thousands):

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities and assets are as follows:

	January 31, 1998	January 31, 1997
Deferred tax liabilities:		
Accelerated depreciation	**$ 10,519**	$ 6,863
Deferred revenue	**1,630**	2,811
Other - net	**4,937**	3,525
Total deferred tax liabilities	**17,086**	13,199
Deferred tax assets:		
Accruals not currently deductible	**5,412**	5,092
Reserves not currently deductible	**21,290**	21,340
Capitalized inventory costs	**1,959**	2,220
Other - net	**371**	213
Total deferred tax assets	**29,032**	28,865
Net deferred tax assets (included in prepaid and other assets)	**$ 11,946**	$ 15,666

Significant components of the provision for income taxes are as follows:

	Year ended January 31,		
Current:	**1998**	**1997**	**1996**
Federal	**$ 39,805**	$ 32,485	$ 15,107
State	**2,469**	5,897	2,932
Foreign	**6,822**	3,185	1,541
Total current	**49,096**	41,567	19,580
Deferred:			
Federal	**3,328**	(3,490)	(4,656)
State	**507**	(451)	(625)
Foreign	**(115)**	(1,110)	(322)
Total deferred	**3,720**	(5,051)	(5,603)
	$ 52,816	$ 36,516	$ 13,977

The reconciliation of income tax attributable to continuing operations computed at the U.S. federal statutory tax rates to income tax expense is as follows:

	Year ended January 31,		
	1998	**1997**	**1996**
Tax at U.S. statutory rates	**35.0%**	35.0%	35.0%
State income taxes, net of federal tax benefit	**1.4**	3.8	4.2
Other - net	**.6**	.3	.2
	37.0%	39.1%	39.4%

The components of pretax earnings are as follows:

	Year ended January 31,		
	1998	**1997**	**1996**
United States	**$ 126,757**	$ 88,536	$ 33,164
Foreign	**15,973**	4,953	2,354
	$ 142,730	$ 93,489	$ 35,518

The cumulative amount of undistributed earnings of international subsidiaries for which U.S. income taxes have not been provided was approximately $10 million at January 31, 1998. It is not practical to estimate the amount of unrecognized deferred U.S. taxes on these undistributed earnings.

NOTE 6 - EMPLOYEE BENEFIT PLANS:

Stock compensation plans

At January 31, 1998, the Company had four stock-based compensation plans, an employee stock ownership plan and a retirement savings plan, which are described below. The Company applies APB Opinion 25 and related interpretations in accounting for its plans. Accordingly, no compensation cost has been recognized for its fixed stock option plans and its stock purchase plan.

Fixed stock option plans

In August 1985, the Board of Directors adopted the 1985 Incentive Stock Option Plan (the "1985 Plan"), which covers an aggregate of 1,050,000 shares of common stock. The options were granted to certain officers and key employees at or above fair market value; accordingly, no compensation expense has been recorded with respect to these options. Options are exercisable beginning two years from the date of grant only if the grantee is an employee of the Company at that time. No options may be granted under the 1985 Plan after July 31, 1995.

In June 1990, the shareholders approved the 1990 Incentive and Non-Statutory Stock Option Plan (the "1990 Plan") which covers an aggregate of 10,000,000 shares (as amended in June 1997) of common stock. The 1990 Plan provides for the granting of incentive and non-statutory stock options, stock appreciation rights ("SARs") and limited stock appreciation rights ("Limited SARs") at prices determined by the stock option committee, except for incentive stock options which are granted at the fair market value of the stock on the date of grant. Incentive options granted under the 1990 Plan become exercisable over a five year period while the date of exercise of non-statutory options is determined by the stock option committee. As of January 31, 1998, no SARs or Limited SARs had been granted under the 1990 Plan. Options granted under the 1985 Plan and the 1990 Plan expire 10 years from the date of grant, unless a shorter period is specified by the stock option committee.

In June 1995, the shareholders approved the 1995 Non-Employee Director's Non-Statutory Stock Option Plan. Under this plan, the Company grants non-employee members of its Board of Directors stock options upon their initial appointment to the board and then annually each year thereafter. Stock options granted to members upon their initial appointment vest and become exercisable at a rate of 20% per year. Annual awards vest and become exercisable one year from the date of grant. The number of shares subject to options under this plan cannot exceed 100,000 and the options expire 10 years from the date of grant.

A summary of the status of the Company's stock option plans is as follows:

	January 31, 1998		**January 31, 1997**		**January 31, 1996**	
	Shares	**Weighted Average Exercise Price**	**Shares**	**Weighted Average Exercise Price**	**Shares**	**Weighted Average Exercise Price**
Outstanding at beginning of year	**3,285,818**	**$ 4.31**	3,081,110	$ 13.31	2,644,056	$ 15.62
Granted	**1,643,400**	**26.65**	1,112,000	16.27	1,683,450	12.91
Exercised	**(720,573)**	**13.23**	(675,492)	13.11	(79,800)	8.53
Canceled	**(327,100)**	**17.57**	(231,800)	13.72	(1,166,596)	18.45
Outstanding at year end	**3,881,545**	**19.43**	3,285,818	14.31	3,081,110	13.31
Options exercisable at year end	**601,895**		576,862		494,460	
Available for grant at year end	**4,588,000**		905,000		1,785,000	

	Options Outstanding			**Options Exercisable**	
Range of Exercise Prices	**Number Outstanding at 1/31/98**	**Weighted-Average Remaining Contractual Life (years)**	**Weighted-Average Exercise Price**	**Number Exercisable at 1/31/98**	**Weighted-Average Exercise Price**
$ 1.50 - $ 10.99	**562,150**	6.4	$ 10.24	**250,400**	$ 9.72
11.00 - 15.99	**1,386,195**	7.7	14.20	**221,495**	13.94
16.00 - 29.99	**1,597,900**	8.4	23.59	**130,000**	20.23
30.00 - 51.00	**335,300**	9.6	36.62	**0**	–
	3,881,545			**601,895**	

Employee stock purchase plan

Under the 1995 Employee Stock Purchase Plan, approved in June 1995, the Company is authorized to issue up to 1,000,000 shares of common stock to eligible employees. Under the terms of the plan, employees can choose to have a fixed dollar amount or percentage deducted from their compensation to purchase the Company's common stock and/or elect to purchase shares once per calendar quarter. The purchase price of the stock is 85% of the market value on the exercise date and employees are limited to a maximum purchase of $25,000 fair market value each calendar year. Since plan inception, the Company has sold 137,246 shares as of January 31, 1998. All shares purchased under this plan must be retained for a period of one year.

Pro forma effect of stock compensation plans

Had the compensation cost for the Company's stock option plans and employee stock purchase plan been determined based on the fair value at the grant dates for awards under the plans consistent with the method prescribed by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation", the Company's net income and net income per common share on a pro forma basis would have been (in thousands, except per share data):

	Year ended January 31,		
	1998	**1997**	**1996**
Net income	**$ 85,344**	$ 55,059	$ 19,937
Net income per common share:			
Basic	**1.91**	1.35	.53
Diluted	**1.83**	1.31	.52

The preceding pro forma results were calculated with the use of the Black Scholes option-pricing model. The following assumptions were used for the years ended January 31, 1998, 1997 and 1996, respectively: (1) risk-free interest rates of 6.76%, 6.08% and 6.96%; (2) dividend yield of 0.0%, 0.0% and 0.0%; (3) expected lives of 4.87, 5.08 and 5.08 years; and (4) volatility of 56%, 56% and 39%. Results may vary depending on the assumptions applied within the model.

Stock ownership and retirement savings plans

In February 1984, the Company established an employee stock ownership plan (the "ESOP") covering substantially all U.S. employees. The ESOP provides for distribution of vested percentages of the Company's common stock to participants. Such benefit becomes fully vested after seven years of qualified service. At January 31, 1998 and 1997, 780,000 and 717,000 shares, respectively, were held by the ESOP. The Company also offers its U.S. employees a retirement savings plan pursuant to section 401(k) of the Internal Revenue Code which provides for the Company to match 50% of the first $1,000 of each participant's deferrals annually. Contributions to these plans are made in amounts approved annually by the Board of Directors. Aggregate contributions made by the Company to these plans were $2,460,000, $2,090,000 and $1,659,000 for 1998, 1997 and 1996, respectively.

NOTE 7 - CAPITAL STOCK:

Each outstanding share of preferred stock is entitled to one vote on all matters submitted to a vote of shareholders, except for matters involving mergers, the sale of all Company assets, amendments to the Company's charter and exchanges of Company stock for stock of another company which require approval by a majority of each class of capital stock. In such matters, the preferred and common shareholders will each vote as a separate class.

In November 1997, the Company completed a public offering of 3.7 million shares of common stock resulting in net proceeds to the Company of approximately $149,000,000.

NOTE 8 - COMMITMENTS AND CONTINGENCIES:

Operating leases

The Company leases distribution facilities and certain equipment under noncancelable operating leases which expire at various dates through 2005. Future minimum lease payments under all such leases for the succeeding five fiscal years are as follows: 1999 - $15,145,000; 2000 - $13,604,000; 2001 - $10,079,000; 2002 - $4,278,000; 2003 - $1,601,000 and $4,294,000 thereafter. Rental expense for all operating leases amounted to $15,704,000, $10,160,000 and $7,547,000 in 1998, 1997 and 1996, respectively.

NOTE 9 - ACQUISITIONS:

On July 1, 1997 the Company acquired approximately 77% of the voting common stock and 7% of the non-voting preferred stock of Macrotron AG ("Macrotron"), a distributor of personal computer products based in Munich, Germany. The initial acquisition was completed through an exchange of approximately $26 million in cash and 406,586 shares of the Company's common stock, for a combined total value of $35 million. On July 10, 1997, the Company commenced a tender offer for the remaining shares of Macrotron common and preferred stock at a price per share of DM730 and DM600, respectively. The tender offer period ended on September 5, 1997. As of January 31, 1998, the Company owned approximately 98% and 82% of Macrotron's common and preferred stock, respectively. The cash portion of the initial acquisition, the related tender offer and subsequent purchase of Macrotron's common and preferred stock were funded from the Company's revolving credit loan agreements.

The acquisition of Macrotron is accounted for under the purchase method. The preliminary purchase price allocation has resulted in approximately $51,000,000 in excess cost over the net fair market value of tangible assets acquired as of January 31, 1998. The Company is currently implementing its acquisition strategy which may result in an adjustment to the net assets acquired. Consistent with the Company's accounting policy for foreign subsidiaries, Macrotron's operations will be consolidated into the Company's consolidated financial statements on a calendar year basis. Consequently, the Company's fiscal year ending January 31, 1998 includes Macrotron's operations for the six month period beginning July 1, 1997 and ending December 31, 1997.

The following pro forma unaudited results of operations reflects the effect on the Company's operations, as if the above described acquisition had occurred at the beginning of each of the periods presented below:

	Year ended January 31,	
	1998	**1997**
	(In thousands)	
Net sales	**$ 7,623,852**	$ 5,571,406
Net income	**90,161**	60,716
Net income per common share:		
Basic	**2.01**	1.47
Diluted	**1.93**	1.43

The unaudited pro forma information is presented for informational purposes only and includes certain pro forma adjustments. Such pro forma information is not necessarily indicative of the operating results that would have occurred had the Macrotron acquisition been consummated as of the beginning of the periods above, nor are they necessarily indicative of future operating results.

NOTE 10 - SEGMENT INFORMATION:

The Company is engaged in one business segment, the wholesale distribution of microcomputer hardware and software products. The geographic areas in which the Company operates are the United States (United States including exports to Latin America and the Caribbean) and International (Germany, France, Canada, Switzerland, Austria and Brazil). The geographical distribution of net sales, operating income and identifiable assets are as follows (in thousands):

	United States	International	Eliminations	Consolidated
Fiscal year 1998				
Net sales to unaffiliated customers	**$ 5,624,891**	**$ 1,431,728**	**$ –**	**$7,056,619**
Operating income	**$ 151,887**	**$ 20,751**	**$ –**	**$ 172,638**
Identifiable assets	**$ 1,568,458**	**$ 616,925**	**$ –**	**$2,185,383**
Fiscal year 1997				
Net sales to unaffiliated customers	$ 4,009,924	$ 589,017	$ –	$ 4,598,941
Operating income	$ 105,330	$ 9,681	$ –	$ 115,011
Identifiable assets	$ 1,327,156	$ 218,138	$ –	$ 1,545,294
Fiscal year 1996				
Net sales to unaffiliated customers	$ 2,654,750	$ 431,870	$ –	$ 3,086,620
Operating income	$ 48,419	$ 7,185	$ –	$ 55,604
Identifiable assets	$ 868,910	$ 174,969	$ –	$ 1,043,879

NOTE 11 - UNAUDITED INTERIM FINANCIAL INFORMATION:

	Quarter ended			
	April 30	**July 31**	**October 31**	**January 31**
Fiscal year 1998	(In thousands, except per share amounts)			
Net sales	**$ 1,370,146**	**$ 1,551,820**	**$ 2,021,479**	**$2,113,174**
Gross profit	**95,177**	**103,978**	**129,342**	**137,249**
Net income	**18,222**	**21,464**	**23,673**	**26,126**
Net income per common share:				
Basic	**.42**	**.49**	**.54**	**.55**
Diluted	**.41**	**.47**	**.51**	**.53**

	Quarter ended			
	April 30	**July 31**	**October 31**	**January 31**
Fiscal year 1997	(In thousands, except per share amounts)			
Net sale	$ 985,574	$ 1,063,228	$ 1,236,650	$ 1,313,489
Gross profit	69,012	74,302	85,955	92,512
Net income	10,428	12,016	16,748	17,781
Net income per common share:				
Basic	.27	.31	.39	.41
Diluted	.27	.30	.38	.40

ITEM 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

OFFICERS

Steven A. Raymund
Chairman of the Board of Directors
and Chief Executive Officer

Anthony A. Ibargüen
President and Chief Operating Officer

Jeffery P. Howells
Executive Vice President
and Chief Financial Officer

Peggy K. Caldwell
Senior Vice President of Marketing

Timothy J. Curran
Senior Vice President of Sales

Lawrence W. Hamilton
Senior Vice President of Human Resources

H. John Lochow
Senior Vice President
and Chief Information Officer

Yuda Saydun
Senior Vice President
and General Manager - Latin America

Joseph B. Trepani
Senior Vice President and Corporate Controller

Theodore F. Augustine
Vice President of Distribution and Logistics

Patrick O. Connelly
Vice President of Worldwide Credit Services

Charles V. Dannewitz
Vice President of Taxes

Arthur W. Singleton
Vice President, Treasurer and Secretary

David R. Vetter
Vice President and General Counsel

DIRECTORS

Steven A. Raymund
Chairman of the Board of Directors
and Chief Executive Officer

Charles E. Adair
President, Kowaliga Capital, Inc.

Daniel M. Doyle
Chief Executive Officer
Danka Business Systems PLC

Donald F. Dunn
Former Chairman, Maas Brothers/Jordan Marsh

Edward C. Raymund
Chairman Emeritus

David M. Upton
Professor, Harvard Business School

John Y. Williams
Managing Director, Equity-South Advisors, LLC

SUBSIDIARIES

Macrotron
Heisenbergbogen 3
85609 Dornach, Germany

Tech Data France
26, avenue Henri Barbusse
93012 Bobigny, France

Tech Data Canada
6895 Columbus Road
Mississauga, Ontario
L5T 2G9 Canada

Tech Data Latin America
8501 N.W. 17th Street, Suite 101
Miami, Florida 33126

Tech Data Brasil
Rua São Paulo, 137
06465-130 Barueri – SP
São Paulo, Brasil

Tech Data Education
5350 Tech Data Drive
Clearwater, Florida 33760

Tech Data Finance
5000 Executive Parkway, Suite 490
San Ramon, CA 94583

ANNUAL MEETING

The annual meeting of shareholders of the Company will be held at 3:30 p.m. on Tuesday, June 23, 1998, at Tech Data's headquarters: 5350 Tech Data Drive Clearwater, FL 33760 (813) 539-7429

SHAREHOLDER INQUIRIES

Tech Data Corporation welcomes inquiries from its shareholders and other interested investors. For further information on the activities of the Company, additional copies of this report, or other financial information, contact our Investor Relations department at the address above or our web site at www.techdata.com. Communications regarding lost stock certificates and address changes should be directed to Tech Data's transfer agent, Chase Mellon Shareholder Services.

QUARTERLY REPORTS

In the Company's effort to provide financial information on a timely basis, the quarterly earnings release will be made available to shareholders through the Company's fax-on-demand service by calling 800-758-5804 (Access #841125). Alternatively, you may receive the quarterly earnings release by mail by contacting our Investor Relations department.

TRANSFER AGENT

Chase Mellon Shareholder Services
Four Station Square, Third Floor, Pittsburgh, PA 15219
(800) 756-3353

SECURITIES COUNSEL

Schifino & Fleischer, P.A., Tampa, Florida

INDEPENDENT ACCOUNTANTS

Price Waterhouse LLP, Tampa, Florida

STOCK LISTING

The Company's common stock is traded on The Nasdaq Stock Market under the symbol TECD.

TECH DATA CORPORATION
5350 Tech Data Drive Clearwater, FL 33760
www.techdata.com

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark one)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the fiscal year ended January 31, 1998

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from to

Commission file number 0-14625

TECH DATA CORPORATION
(Exact name of registrant as specified in its charter)

Florida	**No. 59-1578329**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
5350 Tech Data Drive, Clearwater, FL	**33760**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number including area code: (813) 539-7429

Securities registered pursuant to Section 12(g) of the Act:

Common stock, par value $.0015 per share.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes _X_ No ____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of regulation S-K is not contained herein, and will not be contained to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference to Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Aggregate market value of the voting stock held by non-affiliates of the registrant as of March 31, 1998: $1,698,978,000

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at March 31, 1998
Common stock, par value $.0015 per share	48,267,064

DOCUMENTS INCORPORATED BY REFERENCE

The registrant's Proxy Statement for use at the Annual Meeting of Shareholders on June 23, 1998 is incorporated by reference in Part III of this Form 10-K to the extent stated herein.

PART I

ITEM 1. *Business*

(a) General development of business

Tech Data Corporation (the "Company" or "Tech Data") was incorporated in 1974 to market data processing supplies such as tape, disk packs, and custom and stock tab forms for mini and mainframe computers directly to end users. In 1984, the Company began marketing certain of its products to the newly emerging market of microcomputer dealers and had withdrawn entirely from end-user sales, broadened its product line to include hardware products, and completed its transition to a wholesale distributor. The Company has since continually expanded its product lines, customer base and geographical presence.

On May 31, 1989, the Company entered the Canadian market through the acquisition of a distributor subsequently named Tech Data Canada Inc. (“Tech Data Canada”). Tech Data Canada serves customers in all Canadian provinces and carries many of the same products offered by the Company.

On March 24, 1994, the Company completed the non-cash exchange of 1,144,000 shares of its common stock for all of the outstanding capital stock of Softmart International, S.A. (subsequently named Tech Data France, SNC) (“Tech Data France”), a privately-held distributor of personal computer products based in Paris, France. Tech Data France is one of the largest wholesale distributors of microcomputer products in France, representing leading manufacturers and publishers such as Compaq, Hewlett-Packard, IBM, Lotus and Microsoft. The acquisition was accounted for as a pooling-of-interests effective February 1, 1994; however, due to the immaterial size of the acquisition in relation to the consolidated financial statements, prior period financial statements were not restated.

To complement its Miami-based Latin American export business, the Company opened a 33,000 square-foot distribution center near São Paulo, Brazil in February 1997.

On July 1, 1997, Tech Data acquired a controlling interest in Macrotron AG (“Macrotron”), a leading publicly held distributor of personal computer products based in Munich, Germany. Macrotron is one of the largest computer products wholesale distributors in Germany whose product line includes such leading vendors as 3Com, Canon, Compaq, Corel, Epson, Hewlett-Packard, IBM, Intel, Microsoft, Sony and Toshiba. As of January 31, 1998, the Company owned approximately 98% and 82% of Macrotron’s common and preferred stock, respectively. The acquisition has been accounted for under the purchase method.

(b) Financial information about industry segments

The Company operates in only one business segment.

(c) Narrative description of business

The Company is the world’s second largest distributor of microcomputer hardware and software products to value-added resellers ("VARs"), corporate resellers, retailers and direct marketers (collectively with VARs, “customers”). Tech Data distributes products throughout the United States, Canada, Latin America, Germany, France, Switzerland and Austria. The Company purchases its products directly from more than 900 manufacturers of microcomputer hardware and publishers of software in large quantities, maintains a stocking inventory of more than 45,000 products and sells to an active base of over 70,000 customers. The Company’s broad assortment of vendors and products meets the customers’ need for a cost effective link to those vendors’ products offered through a single source.

The Company provides its customers with leading products including systems, peripherals, networking, and software, which accounted for 24%, 42%, 18% and 16%, respectively, of sales in fiscal 1998. The Company offers products from manufacturers and publishers such as Bay Networks, Cisco, Compaq, Corel, Creative Labs, Digital Equipment, Epson, Hewlett-Packard, IBM, Intel, Microsoft, Novell, Okidata, Seagate, Symantec, 3Com, Toshiba, Viewsonic and Western Digital. The Company generally ships products the same day the orders are received from regionally located distribution centers. The customers are provided with a high-level of service through the Company’s pre- and post-sale technical support, electronic commerce tools (including on-line order entry, product configuration services and electronic data interchange ("EDI") services), customized shipping documents and flexible financing programs.

Industry

The wholesale distribution model, like that provided by the Company, has proven to be well-suited for both manufacturers and publishers of microcomputer products ("vendors") and resellers of those products. The large number and diversity of resellers makes it cost efficient for vendors to rely on wholesale distributors which can leverage distribution costs across multiple vendors who outsource a portion of their distribution, credit, marketing and support services. Similarly, due to the large number of vendors and products, resellers often cannot or choose not to establish direct purchasing relationships. Instead they rely on wholesale distributors, such as Tech Data, which can leverage purchasing costs across multiple resellers to satisfy a significant portion of their product procurement and delivery, financing, marketing and technical support needs.

The Company believes that the rates of growth of the wholesale distribution segment of the microcomputer industry and the Company continue to outpace that of the microcomputer industry as a whole for three principal reasons. First, as a result of the use of open systems and off-the-shelf components, hardware and software products are increasingly viewed as commodities. The resulting price competition, coupled with rising selling costs and shorter product life cycles, make it difficult for manufacturers and publishers to efficiently sell directly to resellers and has prompted them to rely on more cost-efficient methods of distribution. Second, resellers are increasingly relying on wholesale distributors such as Tech Data for product availability and flexible financing alternatives rather than stocking large inventories themselves and maintaining credit lines to finance working capital needs. Third, restrictions by certain major manufacturers on sales through wholesale distributors were gradually eased commencing in 1991. Since the beginning of 1995, the Company has been able to sell certain of those manufacturers' products under more competitive terms and conditions ("open-sourcing"). Historically, these previously restricted product lines were sold by master resellers, or aggregators, (whose business model was similar to wholesale distributors, but focused on relatively few product lines) to a network of franchise dealers. Open-sourcing has virtually eliminated any advantage that these aggregators enjoyed as a result of the exclusive arrangements. In addition, consolidation in the wholesale distribution industry continues as economies of scale and access to financial resources become more critical. Larger distributors, like the Company, that have been able to utilize economies of scale to lower costs and pass on the savings to its customers in the form of reduced prices have continued to take market share.

Recent trends in wholesale distribution include the final assembly of certain products by the distributor and continued expansion of electronic commerce. In order to compete more effectively and lower their costs, major computer systems manufacturers which rely on the two-tier distribution model have begun to take steps to reduce their own inventories and the inventories of their distributors and resellers by implementing a build-to-order manufacturing process. They have also begun to re-engineer their distribution by developing programs whereby final assembly will be performed at the distribution level ("channel assembly") versus the current build-to-forecast methodology employed by these manufacturers. Tech Data has been selected by Compaq, Hewlett-Packard and IBM to participate in their respective channel assembly programs. Tech Data began performing assembly services for IBM in October 1997 and expects to begin performing such services for Compaq and Hewlett-Packard in fiscal 1999.

The increasing utilization of electronic ordering and information delivery systems, including the ability to transact business over the World Wide Web has had and is expected to continue to have a significant impact on the cost efficiency of the wholesale distribution industry. Distributors, such as Tech Data, with the financial and technical resources to develop, implement and operate state-of-the-art management information systems have been able to reduce both their customers' and their own transaction costs through more efficient purchasing and lower selling costs.

In summary, microcomputer distribution is experiencing rapid growth and consolidation, creating an environment in which market share and the resulting cost efficiencies are critical.

Business Strategy

Tech Data, as the world's second largest distributor of microcomputer products, believes that its infrastructure and the size of its operation position it to gain share in its current markets as well as continue its expansion into new geographic markets. The Company's size and performance have allowed it to make significant investments in personnel, management information systems, distribution centers and other capital resources. The Company provides a broad array of products and services for its resellers, which allows them to satisfy their needs from a single source. The Company's competitive advantage is the result of its low cost structure, investment in sophisticated management information systems and its access to capital to finance growth.

To maintain and enhance its leadership position in wholesale distribution, the Company's business strategy includes the following main elements:

Maintain low cost and efficient operations*.* The Company has pursued a strategy of profitable revenue growth by providing its customers with the benefit of operating efficiencies achieved through centralized management and control, stringent cost controls and automation. The Company strictly regulates selling, general and administrative expenses; utilizes its highly automated order placement and processing systems to efficiently manage inventory and shipments and to reduce transaction costs; and realizes economies of scale in product purchasing, financing and working capital management. The Company has been successful in reducing selling, general and administrative expenses as a percentage of net sales from 6.8% for the fiscal year ended January 31, 1992 to 4.2% for the fiscal year ended January 31, 1998.

Leverage management information systems. In order to further improve its operating efficiencies and services to its resellers, the Company invested approximately $30 million in a scaleable, state-of-the-art computer information system which was implemented in December 1994. This system, which currently supports the Company's U.S. and Canadian operations and Latin American export operations, allows the Company to improve operating efficiencies and to offer additional services such as expanding its electronic commerce capabilities, including electronic data interchange and Tech Data On-Line electronic ordering and information systems. The Company's ordering system will be available on its World Wide Web site in the near future. The Company believes that growth in its electronic commerce capabilities will provide incremental economies of scale and further reduce transaction costs.

Offer a broad and balanced product mix. The Company offers its resellers a broad assortment of leading technology products. Currently, the Company offers more than 45,000 products from more than 900 manufacturers and publishers. By offering a broad product assortment, the Company can benefit from its resellers' objective to procure product more efficiently by reducing the number of their direct vendor relationships. The Company is continually broadening its product assortment and has recently expanded its offerings of communication products as a result of the convergence of the computing and telecommunication markets. The Company maintains a balanced product line of systems, peripherals, networking products and software to minimize the effects of fluctuation in supply and demand

Foster customer loyalty through superior customer service. Tech Data's sales force provides superior customer service through a dedicated team approach in order to differentiate itself from its competitors and foster customer loyalty. The Company provides services such as flexible customer financing and credit programs, a suite of electronic commerce tools (including electronic order entry and access to product specifications), pre- and post-sale technical support, products configuration, customized shipping documents, flexible product return policies and customer education programs. The Company believes its strategy of not competing with its customer base also promotes customer loyalty.

***Broaden geographic coverage through international expansion*.** The Company plans to take advantage of its strong financial position, vendor relationships and distribution expertise to continue to expand its business in the markets it currently serves and additional markets. The Company's expansion strategy focuses on identifying companies with significant market positions and quality management teams in markets where there is developed or emerging demand for microcomputer products. Following expansion into a new market, Tech Data enhances its market share by providing capital, adding new product lines, competitively pricing its products and delivering value-added services. The Company's operations have expanded from its North American focus to include Europe with the acquisition in 1994 of France's largest wholesale microcomputer distributor. In February 1997, the Company continued its international expansion through the development of an in-country subsidiary which stocks and distributes products in Brazil. In July 1997, Tech Data broadened its European presence with the acquisition of a majority interest in one of Germany's largest wholesale microcomputer distributors, Macrotron AG.

Vendor Relations

The Company's strong financial and industry positions have enabled it to obtain contracts with most leading manufacturers and publishers. The Company purchases products directly from more than 900 manufacturers and publishers, generally on a nonexclusive basis. The Company's vendor agreements are believed to be in the form customarily used by each manufacturer and typically contain provisions which allow termination by either party upon 60 days notice. Generally, the Company's supplier agreements do not require it to sell a specified quantity of products or restrict the Company from selling similar products manufactured by competitors. Consequently, the Company has the flexibility to terminate or curtail sales of one product line in favor of another product line as a result of technological change, pricing considerations, product availability, customer demand and vendor distribution policies. Such agreements generally contain stock rotation and price protection provisions which, along with the Company's inventory management policies and practices, reduce the Company's risk of loss due to slow-moving inventory, vendor price reductions, product updates or obsolescence. Under the terms of many distribution agreements, suppliers will credit the distributor for declines in inventory value resulting from the supplier's price reductions if the distributor complies with certain conditions. In addition, under many such agreements, the distributor has the right to return for credit or exchange for other products a portion of those inventory items purchased, within a designated period of time. A supplier who elects to terminate a distribution agreement generally will repurchase from the distributor the supplier's products carried in the distributor's inventory. While the industry practices discussed above are sometimes not embodied in written agreements and do not protect the Company in all cases from declines in inventory value, management believes that these practices provide a significant level of protection from such declines. No assurance can be given, however, that such practices will continue or that they will adequately protect the Company against declines in inventory value. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Asset Management."

Major computer systems manufacturers have begun to re-engineer their manufacturing processes whereby final assembly will be performed at the distribution level ("channel assembly") versus the current "build-to-forecast" methodology employed by these manufacturers. Tech Data has been selected by Compaq, Hewlett-Packard and IBM to participate in their respective channel assembly programs. The Company currently performs configuration services at its South Bend distribution center which has been ISO 9002 certified. Tech Data began performing assembly services for IBM in October 1997 and expects to begin performing such services for Compaq and Hewlett-Packard in fiscal 1999. The Company plans to expand its configuration and final assembly services capabilities into its Fontana, California and Swedesboro, New Jersey distribution centers later this year.

In addition to providing manufacturers and publishers with one of the largest bases of resellers in the United States, Canada, Latin America, Germany, France, Switzerland and Austria, the Company also offers manufacturers and publishers the opportunity to participate in a number of special promotions, training programs and marketing services targeted to the needs of its resellers.

No single vendor accounted for more than 10% of the Company's net sales during fiscal 1998, 1997 or 1996, except sales of Compaq products which accounted for 13% and 12% of net sales in fiscal 1998 and 1997, respectively, and sales of Hewlett-Packard products which accounted for 13% of net sales in fiscal 1998.

Customers, Products and Services

The Company sells more than 45,000 microcomputer products including systems, peripherals, networking and software purchased directly from manufacturers and publishers in large quantities for sale to an active reseller base of more than 70,000 VARs, corporate resellers, direct marketers and retailers.

The Company's VARs typically do not have the resources to establish a large number of direct purchasing relationships or stock significant product inventories. This market segment is attractive because VARs, which constituted approximately 53% of Tech Data's net sales in fiscal 1998, generally rely on distributors as their principal source of computer products and financing. Corporate resellers, retailers and direct marketers may establish direct relationships with manufacturers and publishers for their more popular products, but utilize distributors as the primary source for other product requirements and the alternative source for products acquired direct. The Company's Tech Data Elect Program provides cost-plus pricing on certain high volume products, primarily computer systems and printers, and other special terms to target corporate resellers. Corporate resellers constituted approximately 30% of the Company's net sales in fiscal 1998. Tech Data also has developed special programs to meet the unique needs of retail and direct marketers, which customers constituted approximately 17% of the Company's net sales in fiscal 1998. No single customer accounted for more than 5% of the Company's net sales during fiscal 1998, 1997 or 1996.

The Company pursues a strategy of expanding its product line to offer its customers a broad assortment of products. Based upon the convergence of computing and communication technologies, the Company has also expanded its offering of communication products. From time to time, the demand for certain products sold by the Company exceeds the supply available from the manufacturer or publisher. The Company then receives an allocation of the products available. Management believes that the Company's ability to compete is not adversely affected by these periodic shortages and the resulting allocations.

Tech Data provides resellers a high-level of service through the Company's pre- and post-sale technical support, suite of electronic commerce tools (including on-line order entry and EDI services), customized shipping documents, product configuration services and flexible financing programs.

The Company delivers products throughout the United States, Canada, Latin America, Germany, France, Switzerland and Austria from its distribution centers in Miami, Florida; Atlanta, Georgia; Paulsboro, New Jersey; Ft. Worth, Texas; South Bend, Indiana; Ontario, California; Union City, California; Mississauga, Ontario (Canada); Richmond, British Columbia (Canada); São Paulo, Brazil; Munich, Germany; Bobigny (Paris), France; Hünenberg, Switzerland and Vienna, Austria. Locating distribution centers near its customers enables the Company to deliver products on a timely basis, thereby reducing customers' need to invest in inventory. See Item 2 - Properties for further discussion of the Company's locations and distribution centers.

Sales and Electronic Commerce

Currently, the Company's sales force consists of approximately 80 field sales representatives and 1,054 inside telemarketing sales representatives. Field sales representatives are located in major metropolitan areas. Each field representative is supported by inside telemarketing sales teams covering a designated territory. The Company's team concept provides a strong personal relationship between representatives of the customers and Tech Data. Territories with no field representation are serviced exclusively by the inside telemarketing sales teams. Customers typically call their inside sales teams on dedicated toll-free numbers to place orders. If the product is in stock and the customer has available credit, customer orders received by 5:00 p.m. local time are generally shipped the same day from the distribution facility nearest the customer.

Customers rely upon the Company's electronic ordering and information systems, product catalogs and frequent mailings as sources for product information, including prices. The Company's on-line computer system allows the inside sales teams to check for current stocking levels in each of the seven United States distribution centers. Likewise, inside sales teams in Canada, Brazil, Germany, France, Switzerland and Austria can check on stocking levels in their respective distribution centers. Through “Tech Data On-Line”, the Company’s proprietary electronic on-line system, U.S. customers can gain remote access to the Company’s data processing system to check product availability and pricing and to place an order. Certain of the Company’s larger customers have available EDI services whereby orders, order acknowledgments, invoices, inventory status reports, customized pricing information and other industry standard EDI transactions are consummated on-line which improves efficiency and timeliness for both the Company and the customers. The Company anticipates providing customers with access to order entry capabilities on the World Wide Web in the near future.

The Company provides comprehensive training to its field and inside sales representatives regarding technical characteristics of products and the Company's policies and procedures. Each new domestic sales representative attends a four to six-week course provided in-house by the Company. In addition, the Company's ongoing training program is supplemented by product seminars offered daily by manufacturers and publishers.

Competition

The Company operates in a market characterized by intense competition. Competition within the industry is based on product availability, credit availability, price, delivery and various services and support provided by the distributor to the customer. The Company believes that it is equipped to compete effectively with other distributors in these areas. Major competitors include Ingram Micro, Inc. and Merisel, Inc. in North America, Computer 2000 and CHS Electronics, Inc. in Europe and a variety of smaller distributors. The only competitor larger than the Company is Ingram Micro, Inc.

The Company also competes with manufacturers and publishers who sell directly to resellers and end-users. The Company nevertheless believes that in the majority of cases, manufacturers and publishers choose to sell products through distributors rather than directly because of the relatively small volume and high selling costs associated with numerous small orders. Management also believes that the Company's prompt delivery of products and efficient handling of returns provide an important competitive advantage over manufacturers’ and publishers' efforts to market their products directly.

Employees

On January 31, 1998, the Company had approximately 5,075 full-time employees. The Company enjoys excellent relations with its employees, all of whom are non-union.

(d) Financial information about foreign and domestic operations and export sales

The geographic areas in which the Company operates are the United States (including exports to Latin America and the Caribbean) and International (Germany, France, Canada, Switzerland, Austria and Brazil). See Note 9 and Note 10 of Notes to Consolidated Financial Statements regarding the geographical distribution of the Company’s net sales, operating income and identifiable assets and the acquisition of Macrotron AG.

Executive Officers

Steven A. Raymund, Chairman of the Board of Directors and Chief Executive Officer, age 42, has been employed by the Company since 1981, serving as Chief Executive Officer since January 1986 and as Chairman of the Board of Directors since April 1991. He has a B.S. Degree in Economics from the University of Oregon and a Masters Degree from the Georgetown University School of Foreign Service.

Anthony A. Ibargüen, President and Chief Operating Officer, age 38, joined the Company in September 1996 as President of the Americas and was appointed President and Chief Operating Officer in March 1997. Prior to joining the Company, he was employed by ENTEX Information Services, Inc. from August 1993 to August 1996 as Executive Vice President of Sales and Marketing. From June 1990 to August 1993, he was employed by JWP, Inc. most recently as a Vice President. Mr. Ibargüen holds a B.S. Degree in Marketing from Boston College and a Masters in Business Administration Degree from Harvard University.

Jeffery P. Howells, Executive Vice President and Chief Financial Officer, age 41, joined the Company in October 1991 as Vice President of Finance and assumed the responsibilities of Chief Financial Officer in March 1992. In March 1993, he was promoted to Senior Vice President and Chief Financial Officer and was promoted to Executive Vice President and Chief Financial Officer in March 1997. From June 1991 through September 1991 he was employed as Vice President of Finance of Inex Vision Systems. From 1979 to May 1991 he was employed by Price Waterhouse, most recently as a Senior Audit Manager. Mr. Howells is a Certified Public Accountant and holds a B.B.A. Degree in Accounting from Stetson University.

Peggy K. Caldwell, Senior Vice President of Marketing, age 52, joined the Company in May 1992. Prior to joining the Company, she was employed by International Business Machines Corporation for 25 years, most recently serving in a variety of senior management positions in the National Distribution Division. Ms. Caldwell holds a B.S. Degree in Mathematics and Physics from Bucknell University.

Timothy J. Curran, Senior Vice President of Sales, age 46, joined the Company in April 1997. Prior to joining the Company, he was employed by Panasonic Communications and Systems Company (including various other Panasonic affiliates) from 1983 to 1997 serving in a variety of senior management positions. Mr. Curran holds a B.A. Degree in History from the University of Notre Dame and a Ph.D. in International Relations from Columbia University.

Lawrence W. Hamilton, Senior Vice President of Human Resources, age 40, joined the Company in August 1993 as Vice President of Human Resources and was promoted to Senior Vice President in March 1996. Prior to joining the Company, he was employed by Bristol-Myers Squibb Company from 1985 to August 1993, most recently as Vice President - Human Resources and Administration of Linvatec Corporation (a division of Bristol-Myers Squibb Company). Mr. Hamilton holds a B.A. Degree in Political Science from Fisk University and a Masters of Public Administration, Labor Policy from the University of Alabama.

Gerald M. Labie, President and Managing Director of European Operations, age 54, joined the Company in November 1997. Prior to joining the Company, he was employed by Corporate Software Inc. from 1989 to 1997, most recently serving in the role of Senior Vice President and General Manager, Europe. Mr. Labie holds a B.A. Degree from Alfred University.

H. John Lochow, Senior Vice President and Chief Information Officer, age 45, joined the Company in February 1998. Prior to joining the Company, he served as Chief Information Officer at Bell Canada and Chief Executive of their international subsidiary Bell Sygma from 1996 to February 1998. From 1994 to 1996, he was employed by AT&T Capital Corporation as Vice President of Systems and New Business Development and from 1989 to 1994 he was employed by CNA Insurance Companies as Vice President of Systems. Mr. Lochow holds a B.A. Degree in Mathematics from Thomas Edison University.

Yuda Saydun, Senior Vice President and General Manager - Latin America, age 44, joined the Company in May 1993 as Vice President and General Manager - Latin America. In March 1997 he was promoted to Senior Vice President and General Manager - Latin America. Prior to joining the Company, he was employed by American Express Travel Related Services Company, Inc. from 1982 to May 1993, most recently as Division Vice President, Cardmember Marketing. Mr. Saydun holds a B.S. Degree in Political and Diplomatic Sciences from Universite Libre de Bruxelles and a Masters of Business Administration Degree, Finance/Marketing from U.C.L.A.

Joseph B. Trepani, Senior Vice President and Corporate Controller, age 37, joined the Company in March 1990 as Controller and held the position of Director of Operations from October 1991 through January 1995. In February 1995, he was promoted to Vice President and Worldwide Controller and to Senior Vice President in March 1998. Prior to joining the Company, Mr. Trepani was Vice President of Finance for Action Staffing, Inc. from July 1989 to February 1990. From 1982 to June 1989, he was employed by Price Waterhouse. Mr. Trepani is a Certified Public Accountant and holds a B.S. Degree in Accounting from Florida State University.

Theodore F. Augustine, Vice President of Distribution and Logistics, age 51, joined the Company in July 1996. Prior to joining the Company he served as President of M-Group Logistics, Inc. from June 1995 to July 1996. From 1989 to June 1995 he was employed by The Eli Witt Company as Executive Vice President and Chief Operations Officer. Mr. Augustine holds a Masters of Business Administration Degree from Loyola College.

Patrick O. Connelly, Vice President of Worldwide Credit Services, age 52, joined the Company in August 1994. Prior to joining the Company, he was employed by Unisys Corporation for nine years as Worldwide Director of Credit. Mr. Connelly holds a B.A. Degree in History and French from the University of Texas at Austin.

Charles V. Dannewitz, Vice President of Taxes, age 43, joined the Company in February 1995. Prior to joining the Company, he was employed by Price Waterhouse for 13 years, most recently as a Tax Partner. Mr. Dannewitz is a Certified Public Accountant and holds a B.S. Degree in Accounting from Illinois Wesleyan University**.**

Arthur W. Singleton, Vice President, Treasurer and Secretary, age 37, joined the Company in January 1990 as Director of Finance and was appointed Treasurer and Secretary in April 1991. In February 1995, he was promoted to Vice President, Treasurer and Secretary. Prior to joining the Company, Mr. Singleton was employed by Price Waterhouse from 1982 to December 1989, most recently as an Audit Manager. Mr. Singleton is a Certified Public Accountant and holds a B.S. Degree in Accounting from Florida State University.

David R. Vetter, Vice President and General Counsel, age 39, joined the Company in June 1993. Prior to joining the Company, he was employed by the law firm of Robbins, Gaynor & Bronstein, P.A. from 1984 to June 1993, most recently as a partner. Mr. Vetter is a member of the Florida Bar and holds a B.A. Degree in English and Economics from Bucknell University and a J.D. Degree from the University of Florida.

ITEM 2. *Properties*

Tech Data’s executive offices, are located in Clearwater, Florida, all of which buildings, except for one, are owned by the Company. In addition, the Company maintains distribution centers in Miami, Florida; Atlanta, Georgia; Paulsboro, New Jersey; Ft. Worth, Texas; South Bend, Indiana; Ontario, California; Union City, California; Mississauga, Ontario (Canada); Richmond, British Columbia (Canada); Bobigny (Paris), France; São Paulo, Brazil; Munich, Germany; Hünenberg, Switzerland; and Vienna, Austria. The Company leases all of the preceding distribution centers with the exception of one of its Munich locations. The Company also operates training centers in nine cities in the U.S.

The Company is nearing completion of a project to significantly expand five of its seven U.S. distribution centers which will encompass a total of 2.2 million square-feet when completed later this year as compared to the former capacity of 800,000 square feet. Four of the five new U.S. distribution center locations include adjacent land which provides enough space to double the capacity of each of these locations to meet future growth requirements. The facilities of the Company are substantially utilized, well-maintained and are adequate to conduct the Company's current business.

ITEM 3. ***Legal Proceedings***

There are no material legal proceedings pending against the Company.

ITEM 4. ***Submission of Matters to a Vote of Security Holders***

There have been no matters submitted to a vote of security holders during the last quarter of the fiscal year ended January 31, 1998.

PART II

ITEM 5. ***Market for the Registrant's Common Stock and Related Shareholder Matters***

The Company's common stock is traded on the Nasdaq National Market tier of The Nasdaq Stock Market under the symbol TECD. The Company has not paid cash dividends since fiscal 1983. The Board of Directors does not intend to institute a cash dividend payment policy in the foreseeable future. The table below presents the quarterly high and low sales prices for the Company's common stock as reported by The Nasdaq Stock Market. The approximate number of shareholders as of January 31, 1998 was 17,000.

	Sales Price	
Fiscal year 1998	High	Low
Fourth quarter	$47 3/4	$34 1/8
Third quarter	51 3/4	36 1/4
Second quarter	39 15/16	22 7/8
First quarter	27 1/2	19 3/4
Fiscal year 1997		
Fourth quarter	$36 3/8	$21 5/8
Third quarter	30 3/8	22 1/8
Second quarter	24 3/4	18 1/4
First quarter	19 1/2	13

ITEM 6. ***Selected Financial Data***

FIVE YEAR FINANCIAL SUMMARY
(In thousands, except per share data)

	Year ended January 31,				
	1998	**1997**	**1996**	**1995**	**1994**
Income statement data:					
Net sales	$7,056,619	$4,598,941	$3,086,620	$2,418,410	$1,532,352
Cost and expenses:					
Cost of products sold	6,590,873	4,277,160	2,867,226	2,219,122	1,397,967
Selling, general and administrative expenses	293,108	206,770	163,790	127,951	79,390
	6,883,981	4,483,930	3,031,016	2,347,073	1,477,357
Operating profit	172,638	115,011	55,604	71,337	54,995
Interest expense	29,908	21,522	20,086	13,761	5,008
Income before income taxes	142,730	93,489	35,518	57,576	49,987
Provision for income taxes	52,816	36,516	13,977	22,664	19,774
Income before minority interest	89,914	56,973	21,541	34,912	30,213
Minority interest	429	–	–	–	–
Net income	$ 89,485	$ 56,973	$ 21,541	$ 34,912	$ 30,213
Net income per common share:					
Basic	$ 2.00	$ 1.39	$ .57	$ .92	$ .83
Diluted	$ 1.92	$ 1.35	$ .56	$ .91	$ .83
Weighted average common shares outstanding:					
Basic	44,715	40,870	37,846	37,758	36,196
Diluted	46,610	42,125	38,138	38,258	36,590
Dividends per common share	–	–	–	–	–
Balance sheet data:					
Working capital	$ 537,381	$ 351,993	$ 201,704	$ 182,802	$ 165,366
Total assets	2,185,383	1,545,294	1,043,879	784,429	506,760
Revolving credit loans	540,177	396,391	283,100	304,784	153,105
Long-term debt	8,683	8,896	9,097	9,682	9,467
Shareholders' equity	702,588	438,381	285,698	260,826	213,326

ITEM 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following table sets forth the percentage of cost and expenses to net sales derived from the Company's Consolidated Statement of Income for each of the three preceding fiscal years.

	Percentage of net sales Year ended January 31,		
	1998	1997	1996
Net sales	100.0%	100.0%	100.0%
Cost and expenses:			
Cost of products sold	93.4	93.0	92.9
Selling, general and administrative expenses	4.2	4.5	5.3
	97.6	97.5	98.2
Operating profit	2.4	2.5	1.8
Interest expense	.4	.5	.6
Income before income taxes	2.0	2.0	1.2
Provision for income taxes	.7	.8	.5
Income before minority interest	1.3	1.2	.7
Minority interest	-	-	-
Net income	1.3%	1.2%	.7%

Fiscal Years Ended January 31, 1998 and 1997

Net sales increased 53.4% to $7.1 billion in fiscal 1998 compared to $4.6 billion in the prior year. This increase is attributable to the acquisition of Macrotron AG, the addition of new product lines and the expansion of existing product lines combined with an increase in the Company's market share. The Company's U.S. and international sales grew 40.3% and 143.1% respectively, in fiscal 1998 compared to the prior year. The significant growth in the Company's international sales is attributable to the acquisition of Macrotron AG, in which the Company acquired a controlling interest on July 1, 1997. The Company's international sales in fiscal 1998 were approximately 20% of consolidated net sales compared with 13% in the prior year.

The cost of products sold as a percentage of net sales increased from 93.0% in fiscal 1997 to 93.4% in fiscal 1998. This increase is a result of competitive market prices and the Company's strategy of lowering selling prices in order to gain market share and to pass on the benefit of operating efficiencies to its customers.

Selling, general and administrative expenses increased 41.8% from $206.8 million in fiscal 1997 to $293.1 million in fiscal 1998, and as a percentage of net sales decreased to 4.2% in fiscal 1998 from 4.5% in the prior year. This decline in selling, general and administrative expenses as a percentage of net sales is attributable to greater economies of scale the Company realized during fiscal 1998 in addition to improved operating efficiencies. The dollar value increase in selling, general and administrative expenses is attributable to the acquisition of Macrotron AG and the expanded employment and increases in other operating expenses needed to support the increased volume of business.

As a result of the factors described above, operating profit in fiscal 1998 increased 50.1% to $172.6 million, or 2.4% of net sales, compared to $115.0 million, or 2.5% of net sales, in fiscal 1997. A factor contributing to the decrease in the operating profit margin from 2.5% in fiscal 1997 to 2.4% in fiscal 1998 was the acquisition of Macrotron AG. Macrotron's operating model employs a lower operating profit margin due to its higher asset turnover, as compared to the Company's U.S. business.

Interest expense increased due to an increase in the Company's average outstanding indebtedness related to funding continued growth, the acquisition of Macrotron AG and capital expenditures. The increase in interest expense was partially offset in fiscal 1998 by decreases in short-term interest rates on the Company's floating rate indebtedness and by the receipt of net proceeds of approximately $149 million from the Company's November 1997 common stock offering which were used to reduce indebtedness.

The Company's average income tax rate declined to 37.0% for fiscal 1998 as compared to 39.1% for fiscal 1997. This reduction primarily is the result of a larger portion of the Company's income being subject to lower state income tax jurisdictions.

Net income in fiscal 1998 increased 57.1% to $89.5 million, or $1.92 per diluted share, compared to $57.0 million, or $1.35 per diluted share, in the prior year.

Fiscal Years Ended January 31, 1997 and 1996

Net sales increased 49.0% to $4.6 billion in fiscal 1997 compared to $3.1 billion in the prior year. This increase is attributable to the addition of new product lines and the expansion of existing product lines combined with an increase in the Company's market share. The rate of growth in fiscal year 1997 was also positively impacted by a lower growth rate in the prior comparable period as the Company was recovering from the effects of the business interruptions caused by the conversion to a new computer system in December 1994. The Company's U.S. and international sales grew 51% and 36% respectively, in fiscal 1997 compared to the prior year. The Company's international sales in fiscal 1997 were approximately 13% of consolidated net sales.

The cost of products sold as a percentage of net sales increased from 92.9% in fiscal 1996 to 93.0% in fiscal 1997. This increase is a result of competitive market prices and the Company's strategy of lowering selling prices in order to gain market share and to pass on the benefit of operating efficiencies to its customers.

Selling, general and administrative expenses increased by 26.2% from $163.8 million in fiscal 1996 to $206.8 million in fiscal 1997, and as a percentage of net sales decreased to 4.5% in fiscal 1997 from 5.3% in the prior year. This decline in selling, general and administrative expenses as a percentage of net sales is attributable to greater economies of scale the Company realized during fiscal 1997 in addition to improved operating efficiencies. The dollar value increase in selling, general and administrative expenses is primarily a result of expanded employment and increases in other administrative expenses needed to support the increased volume of business.

As a result of the factors described above, operating profit in fiscal 1997 increased 106.8% to $115.0 million, or 2.5% of net sales, compared to $55.6 million, or 1.8% of net sales, in fiscal 1996.

Interest expense increased due to an increase in the Company's average outstanding indebtedness, partially offset by decreases in short-term interest rates on the Company's floating rate indebtedness. Interest expense was further moderated in fiscal 1997 by the receipt of net proceeds of approximately $83.3 million from the Company's July 1996 common stock offering which were used to reduce indebtedness.

Net income in fiscal 1997 increased 164.5% to $57.0 million, or $1.35 per diluted share, compared to $21.5 million, or $.56 per diluted share, in the prior year.

Recent Accounting Pronouncements

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income" ("SFAS 130"). SFAS 130 establishes standards for reporting and display of comprehensive income and its components and is effective for financial statements for fiscal years beginning after December 15, 1997. This standard addresses disclosure issues and therefore will not affect the Company's financial position or results of operations.

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"). SFAS 131 requires that companies disclose segment data based on how management makes decisions about allocating resources to segments and measuring their performance. SFAS 131 will be effective for fiscal years beginning after December 15, 1997. This standard addresses disclosure issues and therefore will not affect the Company's financial position or results of operations.

Impact of Inflation

The Company has not been adversely affected by inflation as technological advances and competition within the microcomputer industry have generally caused prices of the products sold by the Company to decline. Management believes that any price increases could be passed on to its customers, as prices charged by the Company are not set by long-term contracts.

Year 2000 Compliance

The Company has conducted a comprehensive audit of the "Year 2000" issues affecting its operations and is in the process of implementing required modifications to its systems. The underlying issues are not expected to have a material adverse affect on the Company's operations or financial position. The cost of addressing "Year 2000" issues has not been material to the Company to date and is not expected to be in future periods.

Liquidity and Capital Resources

Net cash used in operating activities of $126.3 million in fiscal 1998 was primarily attributable to growth in sales and the resulting increases in accounts receivable and inventories.

Net cash used in investing activities of $116.3 million in fiscal 1998 was a result of the payment of $68.1 million related to the acquisition of the common and preferred stock of Macrotron combined with the Company's continuing investment of $48.1 million in its management information system capability, office facilities and equipment for distribution centers. The Company expects to make capital expenditures of approximately $75 - $100 million during fiscal 1999 to further expand its management information systems, office facilities and distribution centers.

Net cash provided by financing activities of $244.6 million in fiscal 1998 was provided by additional borrowings of $76.8 million under the Company's revolving credit loans in addition to net proceeds of approximately $149 million from the November 1997 common stock offering and approximately $19 million of proceeds from other issuance of the Company's common stock.

The Company currently maintains domestic and foreign revolving credit agreements which provide maximum short-term borrowings of approximately $907 million (including local country credit lines), of which $540 million was outstanding at January 31, 1998. In November 1997, the Company completed a public offering of 3.7 million shares of its common stock resulting in net proceeds of approximately $149 million. The Company believes that proceeds from the common stock offering, along with cash from operations, available and obtainable bank credit lines and trade credit from its vendors will be sufficient to satisfy its working capital and capital expenditure needs through fiscal 1999.

Asset Management

The Company manages its inventories by maintaining sufficient quantities to achieve high order fill rates while attempting to stock only those products in high demand with a rapid turnover rate. Inventory balances fluctuate as the Company adds new product lines and when appropriate, makes large purchases, including cash purchases from manufacturers and publishers when the terms of such purchases are considered advantageous. The Company's contracts with most of its vendors provide price protection and stock rotation privileges to reduce the risk of loss due to manufacturer price reductions and slow moving or obsolete inventory. In the event of a vendor price reduction, the Company generally receives a credit for the impact on products in inventory. In addition, the Company has the right to rotate a certain percentage of purchases, subject to certain limitations. Historically, price protection and stock rotation privileges as well as the Company's inventory management procedures have helped to reduce the risk of loss of carrying inventory.

The Company attempts to control losses on credit sales by closely monitoring customers' creditworthiness through its computer system which contains detailed information on each customer's payment history and other relevant information. The Company has obtained credit insurance which insures a percentage of the credit extended by the Company to certain of its larger domestic and international customers against possible loss. Customers who qualify for credit terms are typically granted net 30-day payment terms. The Company also sells products on a prepay, credit card, cash on delivery and floorplan basis.

Comments on Forward-Looking Information

In connection with the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, the Company has filed Exhibit 99A as part of this Form 10-K which outlines cautionary statements and identifies important factors that could cause the Company’s actual results to differ materially from those projected in forward-looking statements made by, or on behalf of, the Company. Such forward-looking statements, as made within Items 1 and 7 of this Form 10-K, should be considered in conjunction with the aforementioned Exhibit 99A.

ITEM 8. ***Financial Statements***

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of Tech Data Corporation:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of changes in shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Tech Data Corporation and its subsidiaries at January 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE LLP
Tampa, Florida
March 18, 1998

REPORT OF MANAGEMENT

To Our Shareholders:

The management of Tech Data Corporation is responsible for the preparation, integrity and objectivity of the consolidated financial statements and related financial information contained in this Annual Report. The financial statements have been prepared by the Company in accordance with generally accepted accounting principles and, in the judgment of management, present fairly and consistently the Company's financial position and results of operations. The financial statements and other financial information in this report include amounts that are based on management's best estimates and judgments and give due consideration to materiality.

The Company maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. The design, monitoring and revisions of the system of internal accounting controls involves, among other things, management's judgment with respect to the relative cost and expected benefits of specific control measures.

The Audit Committee of the Board of Directors is responsible for recommending to the Board, subject to shareholder approval, the independent certified public accounting firm to be retained each year. The Audit committee meets periodically with the independent accountants and management to review their performance and confirm that they are properly discharging their responsibilities. The independent accountants have direct access to the Audit Committee to discuss the scope and results of their work, the adequacy of internal accounting controls and the quality of financial reporting.

STEVEN A. RAYMUND
Chairman of the Board Directors
and Chief Executive Officer
March 18, 1998

JEFFERY P. HOWELLS
Executive Vice President
and Chief Financial Officer

TECH DATA CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(In thousands, except share amounts)

	January 31, 1998	January 31, 1997
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,749	$ 661
Accounts receivable, less allowance of $29,731 and $23,922	909,426	633,579
Inventories	1,028,367	759,974
Prepaid and other assets	65,843	55,796
Total current assets	2,006,385	1,450,010
Property and equipment, net	100,562	65,597
Excess of cost over acquired net assets, net	55,460	5,922
Other assets, net	22,976	23,765
	$2,185,383	$1,545,294
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Revolving credit loans	$ 540,177	$ 396,391
Accounts payable	850,866	658,732
Accrued expenses	77,961	42,894
Total current liabilities	1,469,004	1,098,017
Long-term debt	8,683	8,896
Total liabilities	1,477,687	1,106,913
Minority interest	5,108	-
Commitments and contingencies (Note 8)		
Shareholders' equity:		
Preferred stock, par value $.02; 226,500 shares authorized and issued; liquidation preference $.20 per share	5	5
Common stock, par value $.0015; 200,000,000 and 100,000,000 shares authorized; 48,250,349 and 43,291,423 issued and outstanding	72	65
Additional paid-in capital	403,880	226,577
Retained earnings	299,768	210,283
Cumulative translation adjustment	(1,137)	1,451
Total shareholders' equity	702,588	438,381
	$2,185,383	$1,545,294

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

TECH DATA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
(In thousands, except per share amounts)

	Year ended January 31, 1998	1997	1996
Net sales	$7,056,619	$4,598,941	$3,086,620
Cost and expenses:			
Cost of products sold	6,590,873	4,277,160	2,867,226
Selling, general and administrative expenses	293,108	206,770	163,790
	6,883,981	4,483,930	3,031,016
Operating profit	172,638	115,011	55,604
Interest expense	29,908	21,522	20,086
Income before income taxes	142,730	93,489	35,518
Provision for income taxes	52,816	36,516	13,977
Income before minority interest	89,914	56,973	21,541
Minority interest	429	-	-
Net income	$ 89,485	$ 56,973	$ 21,541
Net income per common share:			
Basic	$ 2.00	$ 1.39	$ .57
Diluted	$ 1.92	$ 1.35	$ .56
Weighted average common shares outstanding:			
Basic	44,715	40,870	37,846
Diluted	46,610	42,125	38,138

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands)

	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Cumulative Translation Adjustment	Total Shareholders' Equity
Balance – January 31, 1995	227	$5	37,808	$57	$127,947	$131,769	$1,048	$260,826
Issuance of common stock for stock options exercised and related tax benefit			123		2,098			2,098
Net income						21,541		21,541
Translation adjustments							1,233	1,233
Balance -- January 31, 1996	227	5	37,931	57	130,045	153,310	2,281	285,698
Issuance of common stock for stock options exercised and related tax benefit			760	1	13,223			13,224
Issuance of common stock net of offering costs			4,600	7	83,309			83,316
Net income						56,973		56,973
Translation adjustments							(830)	(830)
Balance – January 31, 1997	227	5	43,291	65	226,577	210,283	1,451	438,381
Issuance of common stock in business purchase			407	1	9,255			9,256
Issuance of common stock for stock options exercised and related tax benefit			861	1	19,077			19,078
Issuance of common stock net of offering costs			3,691	5	148,971			148,976
Net income						89,485		89,485
Translation adjustments							(2,588)	(2,588)
Balance – January 31, 1998	227	$5	48,250	$72	$403,880	$299,768	$(1,137)	$702,588

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

TECH DATA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands)

	Year ended January 31, 1998	1997	1996
Cash flows from operating activities:			
Cash received from customers	$6,870,096	$4,390,916	$2,933,831
Cash paid to suppliers and employees	(6,914,537)	(4,513,309)	(2,854,653)
Interest paid	(29,909)	(21,122)	(20,276)
Income taxes paid	(51,949)	(45,037)	(11,628)
Net cash (used in) provided by operating activities	(126,299)	(188,552)	47,274
Cash flows from investing activities:			
Acquisition of business, net of cash acquired	(68,136)	-	-
Expenditures for property and equipment	(45,900)	(19,229)	(23,596)
Software development costs	(2,216)	(2,024)	(2,826)
Net cash used in investing activities	(116,252)	(21,253)	(26,422)
Cash flows from financing activities:			
Proceeds from issuance of common stock	168,054	96,540	2,098
Net borrowings (repayments) from revolving credit loans	76,786	113,291	(21,684)
Principal payments on long-term debt	(201)	(519)	(608)
Net cash provided by (used in) financing activities	244,639	209,312	(20,194)
Net increase (decrease) in cash and cash equivalents	2,088	(493)	658
Cash and cash equivalents at beginning of year	661	1,154	496
Cash and cash equivalents at end of year	$ 2,749	$ 661	$ 1,154
Reconciliation of net income to net cash (used in) provided by operating activities:			
Net income	$ 89,485	$ 56,973	$ 21,541
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Depreciation and amortization	26,364	20,011	17,364
Provision for losses on accounts receivable	22,634	19,648	17,433
Loss on disposal of fixed assets	-	446	603
Deferred income taxes	3,720	(5,051)	(5,603)
Changes in assets and liabilities:			
(Increase) in accounts receivable	(183,481)	(208,025)	(152,789)
(Increase) in inventories	(181,393)	(294,552)	(100,891)
(Increase) in prepaid and other assets	(8,317)	(13,962)	(7,254)
Increase in accounts payable	106,134	225,358	239,161
(Decrease) increase in accrued expenses	(1,445)	10,602	17,709
Total adjustments	(215,784)	(245,525)	25,733
Net cash (used in) provided by operating activities	$ (126,299)	$ (188,552)	$ 47,274

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of consolidation

The consolidated financial statements include the accounts of Tech Data Corporation and its subsidiaries (the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation.

Method of accounting

The Company prepares its financial statements in conformity with generally accepted accounting principles. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition

Sales are recorded upon shipment. The Company allows its customers to return product for exchange or credit subject to certain limitations. Provision for estimated losses on such returns are recorded at the time of sale (see product warranty below). Funds received from vendors for marketing programs and product rebates are accounted for as a reduction of selling, general and administrative expenses or product cost according to the nature of the program.

Inventories

Inventories (consisting of computer related hardware and software products) are stated at the lower of cost or market, cost being determined on the first-in, first-out (FIFO) method.

Property and equipment

Property and equipment are stated at cost. Depreciation is computed over the estimated economic lives (or lease period if shorter) using the following methods:

	Method	Years
Buildings and improvements	Straight-line	15 - 39
Leasehold improvements	Straight-line	2 - 5
Furniture, fixtures and equipment	Accelerated and straight-line	2 - 7

Expenditures for renewals and improvements that significantly add to productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to operations when incurred. When assets are sold or retired, the cost of the asset and the related accumulated depreciation are eliminated from the accounts and any gain or loss is recognized at such time.

Excess of cost over acquired net assets

The excess of cost over acquired net assets is being amortized on a straight-line basis over 15 to 35 years. Amortization expense was $1,458,000, $602,000 and $646,000 in 1998, 1997 and 1996, respectively. The accumulated amortization of goodwill is approximately $3,563,000 and $2,264,000 at January 31, 1998 and 1997, respectively. The Company evaluates, on a regular basis, whether events and circumstances have occurred that indicate the carrying amount of goodwill may warrant revision or may not be recoverable. At January 31, 1998, the net unamortized balance of goodwill is not considered to be impaired.

Capitalized deferred software costs

Deferred software costs are included in other assets and represent internal development costs and payments to vendors for the design, purchase and implementation of the computer software for the Company's operating and financial systems. Such deferred costs are being amortized over three to seven years with amortization expense of $4,967,000, $4,611,000 and $4,253,000 in 1998, 1997 and 1996, respectively. The accumulated amortization of such costs was $14,160,000 and $9,193,000 at January 31, 1998 and 1997, respectively. The remaining unamortized balance of such costs was $17,894,000 and $20,645,000 at January 31, 1998 and 1997, respectively.

Product warranty

The Company does not offer warranty coverage. However, to maintain customer goodwill, the Company facilitates vendor warranty policies by accepting for exchange (with the Company's prior approval) defective products within 60 days of invoicing. Defective products received by the Company are subsequently returned to the vendor for credit or replacement.

Income taxes

Income taxes are accounted for under the liability method. Deferred taxes reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting amounts. Deferred taxes have not been provided on the cumulative undistributed earnings of foreign subsidiaries since such amounts are expected to be reinvested indefinitely.

Foreign currency translation

The assets and liabilities of foreign operations are translated at the exchange rates in effect at the balance sheet date, with the related translation gains or losses reported as a separate component of shareholders' equity. The results of foreign operations are translated at the weighted average exchange rates for the year. Gains or losses resulting from foreign currency transactions are included in the statement of income.

Concentration of credit risk

The Company sells its products to a large base of value-added resellers ("VARs"), corporate resellers, retailers and direct marketers throughout the United States, Canada, Latin America, Germany, France, Switzerland and Austria. The Company also performs ongoing credit evaluations of its customers and generally does not require collateral. The Company has obtained credit insurance which insures a percentage of credit extended by the Company to certain of its larger domestic and international customers against possible loss. The Company makes provisions for estimated credit losses at the time of sale.

Derivative financial instruments

The Company operates internationally with distribution facilities in various locations around the world. The Company reduces its exposure to fluctuations in interest rates and foreign exchange rates by creating offsetting positions through the use of derivative financial instruments. The market risk related to the foreign exchange agreements is offset by changes in the valuation of the underlying items being hedged. The majority of the Company's derivative financial instruments have terms of 180 days or less. The Company currently does not use derivative financial instruments for trading or speculative purposes, nor is the Company a party to leveraged derivatives.

Derivative financial instruments are accounted for on an accrual basis. Income and expense are recorded in the same category as that arising from the related asset or liability being hedged. Gains and losses resulting from effective hedges of existing assets, liabilities or firm commitments are deferred and recognized when the offsetting gains and losses are recognized on the related hedged items.

The notional amount of forward exchange contracts and options is the amount of foreign currency bought or sold at maturity. The notional amount of currency interest rate swaps is the underlying principal and currency amounts used in determining the interest payments exchanged over the life of the swap. Notional amounts are indicative of the extent of the Company's involvement in the various types and uses of derivative financial instruments and are not a measure of the Company's exposure to credit or market risks through its use of derivatives. The estimated fair value of derivative financial instruments represents the amount required to enter into like off-setting contracts with similar remaining maturities based on quoted market prices.

The Company's derivative financial instruments outstanding at January 31, 1998 are as follows: (Derivative instruments outstanding at January 31, 1997 were not material)

	January 31, 1998	
	Notional Amounts	Estimated Fair Value
	(In thousands)	
Foreign exchange forward contracts	$ 78,043	$939
Purchased foreign currency options	500	(12)
Currency interest rate swaps	128,300	377

Disclosures about fair value of financial instruments

Financial instruments (excluding derivative financial instruments) that are subject to fair value disclosure requirements are carried in the consolidated financial statements at amounts that approximate fair value.

Net income per common share

Effective for the fiscal year ended January 31, 1998, the Company has adopted Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS 128") and related interpretations. SFAS 128 requires dual presentation of Basic Earnings per Share ("Basic EPS") and Diluted Earnings per Share ("Diluted EPS"). Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding during the reported period. Diluted EPS reflects the potential dilution that could occur if stock options were exercised using the treasury stock method. Earnings per share for all prior periods have been restated to reflect the adoption of SFAS 128. The composition of basic and diluted net income per common share is as follows:

	Year ended January 31,		
	1998	1997	1996
	(In thousands, except per share amounts)		
Net income	$ 89,485	$ 56,973	$ 21,541
Weighted average shares	44,715	40,870	37,846
Net income per common share - basic	$ 2.00	$ 1.39	$ .57
Weighted average shares including the dilutive effect of stock options (1,895, 1,255 and 292 for fiscal 1998, 1997 and 1996, respectively)	46,610	42,125	38,138
Net income per common share - diluted	$ 1.92	$ 1.35	$ .56

Cash management system

Under the Company's cash management system, disbursements cleared by the bank are reimbursed on a daily basis from the revolving credit loans. As a result, checks issued but not yet presented to the bank are not considered reductions of cash or accounts payable. Included in accounts payable are $60,000,000 and $111,826,000 at January 31, 1998 and 1997, respectively, for which checks are outstanding.

Statement of cash flows

Short-term investments which have an original maturity of ninety days or less are considered cash equivalents in the statement of cash flows. The effect of changes in foreign exchange rates on cash balances is not material. See Note 9 of Notes to Consolidated Financial Statements regarding the non-cash exchange of common stock in connection with a business combination.

Fiscal year

The Company and its subsidiaries operate on a fiscal year that ends on January 31, except for the Company's French, German and Brazilian subsidiaries which operate on a fiscal year that ends on December 31.

NOTE 2 - PROPERTY AND EQUIPMENT:

	January 31,	
	1998	1997
	(In thousands)	
Land	$ 7,805	$ 3,898
Buildings and improvements	36,543	29,155
Furniture, fixtures and equipment	112,821	75,982
Construction in progress	12,359	629
	169,528	109,664
Less-accumulated depreciation	(68,966)	(44,067)
	$100,562	$65,597

NOTE 3 - REVOLVING CREDIT LOANS:

The Company has an agreement (the "Receivables Securitization Program") with a financial institution that allows the Company to transfer an undivided interest in a designated pool of accounts receivable on an ongoing basis to provide borrowings up to a maximum of $325,000,000. As collections reduce accounts receivable balances included in the pool, the Company may transfer interests in new receivables to bring the amount available to be borrowed up to the $325,000,000 maximum. The Company pays interest on advances under the Receivables Securitization Program at a designated commercial paper rate, plus an agreed-upon spread. At January 31, 1998, the Company had a $237,420,000 outstanding balance under this program which is included in the balance sheet caption "Revolving Credit Loans". This agreement expires December 31, 1998.

In August 1997, the Company entered into a new three-year unsecured $550,000,000 multi-currency revolving credit facility replacing its former $290,000,000 facility. The Company and its subsidiaries are able to borrow funds in sixteen major foreign currencies under this agreement.

As of January 31, 1998, the Company maintained domestic and foreign revolving credit loan agreements (including the Receivables Securitization Program) with a total of twenty financial institutions which provide for maximum short-term borrowings of approximately $907,000,000 (including local country credit loans). At January 31, 1998, the weighted average interest rate on all short-term borrowings was 4.89%. The Company can fix the interest rate for periods of 30 to 180 days under various interest rate options. The credit agreements contain warranties and covenants that must be complied with on a continuing basis, including the maintenance of certain financial ratios. At January 31, 1998, the Company was in compliance with all such covenants.

NOTE 4 - LONG-TERM DEBT:

	January 31, 1998	January 31, 1997
	(In thousands)	
Mortgage note payable, interest at 10.25%, principal and interest of $85,130 payable monthly, balloon payment due 2005	$8,788	$8,902
Mortgage note payable funded through Industrial Revenue Bond, interest at 7.5%, principal and interest payable quarterly, through 1999	108	195
	8,896	9,097
Less - current maturities	(213)	(201)
	$8,683	$8,896

Principal maturities of long-term debt at January 31, 1998 for the succeeding five fiscal years are as follows: 1999 - $213,000; 2000 - $162,000; 2001 - $155,000; 2002 - $172,000; 2003 - $191,000.

Mortgage notes payable are secured by property and equipment with an original cost of approximately $12,000,000. The Industrial Revenue Bond contains covenants which require the Company to maintain certain financial ratios with which the Company was in compliance at January 31, 1998.

NOTE 5 - INCOME TAXES (In thousands):

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities and assets are as follows:

	January 31, 1998	January 31, 1997
Deferred tax liabilities:		
Accelerated depreciation	$10,519	$ 6,863
Deferred revenue	1,630	2,811
Other - net	4,937	3,525
Total deferred tax liabilities	17,086	13,199
Deferred tax assets:		
Accruals not currently deductible	5,412	5,092
Reserves not currently deductible	21,290	21,340
Capitalized inventory costs	1,959	2,220
Other - net	371	213
Total deferred tax assets	29,032	28,865
Net deferred tax assets (included in prepaid and other assets)	$11,946	$15,666

Significant components of the provision for income taxes are as follows:

	Year ended January 31,		
	1998	1997	1996
Current:			
Federal	$39,805	$32,485	$15,107
State	2,469	5,897	2,932
Foreign	6,822	3,185	1,541
Total current	49,096	41,567	19,580
Deferred:			
Federal	3,328	(3,490)	(4,656)
State	507	(451)	(625)
Foreign	(115)	(1,110)	(322)
Total deferred	3,720	(5,051)	(5,603)
	$52,816	$36,516	$13,977

The reconciliation of income tax attributable to continuing operations computed at the U.S. federal statutory tax rates to income tax expense is as follows:

	Year ended January 31,		
	1998	1997	1996
Tax at U.S. statutory rates	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit	1.4	3.8	4.2
Other - net	.6	.3	.2
	37.0%	39.1%	39.4%

The components of pretax earnings are as follows:

	Year ended January 31,		
	1998	1997	1996
United States	$126,757	$88,536	$33,164
Foreign	15,973	4,953	2,354
	$142,730	$93,489	$35,518

The cumulative amount of undistributed earnings of international subsidiaries for which U.S. income taxes have not been provided was approximately $10 million at January 31, 1998. It is not practical to estimate the amount of unrecognized deferred U.S. taxes on these undistributed earnings.

NOTE 6 - EMPLOYEE BENEFIT PLANS:

Stock compensation plans

At January 31, 1998, the Company had four stock-based compensation plans, an employee stock ownership plan and a retirement savings plan, which are described below. The Company applies APB Opinion 25 and related interpretations in accounting for its plans. Accordingly, no compensation cost has been recognized for its fixed stock option plans and its stock purchase plan.

Fixed stock option plans

In August 1985, the Board of Directors adopted the 1985 Incentive Stock Option Plan (the "1985 Plan"), which covers an aggregate of 1,050,000 shares of common stock. The options were granted to certain officers and key employees at or above fair market value; accordingly, no compensation expense has been recorded with respect to these options. Options are exercisable beginning two years from the date of grant only if the grantee is an employee of the Company at that time. No options may be granted under the 1985 Plan after July 31, 1995.

In June 1990, the shareholders approved the 1990 Incentive and Non-Statutory Stock Option Plan (the "1990 Plan") which covers an aggregate of 10,000,000 shares (as amended in June 1997) of common stock. The 1990 Plan provides for the granting of incentive and non-statutory stock options, stock appreciation rights ("SARs") and limited stock appreciation rights ("Limited SARs") at prices determined by the stock option committee, except for incentive stock options which are granted at the fair market value of the stock on the date of grant. Incentive options granted under the 1990 Plan become exercisable over a five year period while the date of exercise of non-statutory options is determined by the stock option committee. As of January 31, 1998, no SARs or Limited SARs had been granted under the 1990 Plan. Options granted under the 1985 Plan and the 1990 Plan expire 10 years from the date of grant, unless a shorter period is specified by the stock option committee.

In June 1995, the shareholders approved the 1995 Non-Employee Director's Non-Statutory Stock Option Plan. Under this plan, the Company grants non-employee members of its Board of Directors stock options upon their initial appointment to the board and then annually each year thereafter. Stock options granted to members upon their initial appointment vest and become exercisable at a rate of 20% per year. Annual awards vest and become exercisable one year from the date of grant. The number of shares subject to options under this plan cannot exceed 100,000 and the options expire 10 years from the date of grant.

A summary of the status of the Company's stock option plans is as follows:

	January 31, 1998		January 31, 1997		January 31, 1996	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	3,285,818	$14.31	3,081,110	$13.31	2,644,056	$15.62
Granted	1,643,400	26.65	1,112,000	16.27	1,683,450	12.91
Exercised	(720,573)	13.23	(675,492)	13.11	(79,800)	8.53
Canceled	(327,100)	17.57	(231,800)	13.72	(1,166,596)	18.45
Outstanding at year end	3,881,545	19.43	3,285,818	14.31	3,081,110	13.31
Options exercisable at year end	601,895		576,862		494,460	
Available for grant at year end	4,588,000		905,000		1,785,000	

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at 1/31/98	Weighted-Average Remaining Contractual Life (years)	Weighted-Average Exercise Price	Number Exercisable at 1/31/98	Weighted-Average Exercise Price
$ 1.50 - $10.99	562,150	6.4	$ 10.24	250,400	$ 9.72
11.00 - 15.99	1,386,195	7.7	14.20	221,495	13.94
16.00 - 29.99	1,597,900	8.4	23.59	130,000	20.23
30.00 - 51.00	335,300	9.6	36.62	0	-
	3,881,545			601,895	

Employee stock purchase plan

Under the 1995 Employee Stock Purchase Plan, approved in June 1995, the Company is authorized to issue up to 1,000,000 shares of common stock to eligible employees. Under the terms of the plan, employees can choose to have a fixed dollar amount or percentage deducted from their compensation to purchase the Company's common stock and/or elect to purchase shares once per calendar quarter. The purchase price of the stock is 85% of the market value on the exercise date and employees are limited to a maximum purchase of $25,000 fair market value each calendar year. Since plan inception, the Company has sold 137,246 shares as of January 31, 1998. All shares purchased under this plan must be retained for a period of one year.

Pro forma effect of stock compensation plans

Had the compensation cost for the Company's stock option plans and employee stock purchase plan been determined based on the fair value at the grant dates for awards under the plans consistent with the method prescribed by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation", the Company's net income and net income per common share on a pro forma basis would have been (in thousands, except per share data):

	Year ended January 31,		
	1998	1997	1996
Net income	$85,344	$55,059	$19,937
Net income per common share:			
Basic	1.91	1.35	.53
Diluted	1.83	1.31	.52

The preceding pro forma results were calculated with the use of the Black Scholes option-pricing model. The following assumptions were used for the years ended January 31, 1998, 1997 and 1996, respectively: (1) risk-free interest rates of 6.76%, 6.08% and 6.96%; (2) dividend yield of 0.0%, 0.0% and 0.0%; (3) expected lives of 4.87, 5.08 and 5.08 years; and (4) volatility of 56%, 56% and 39%. Results may vary depending on the assumptions applied within the model.

Stock ownership and retirement savings plans

In February 1984, the Company established an employee stock ownership plan (the "ESOP") covering substantially all U.S. employees. The ESOP provides for distribution of vested percentages of the Company's common stock to participants. Such benefit becomes fully vested after seven years of qualified service. At January 31, 1998 and 1997, 780,000 and 717,000 shares, respectively, were held by the ESOP. The Company also offers its U.S. employees a retirement savings plan pursuant to section 401(k) of the Internal Revenue Code which provides for the Company to match 50% of the first $1,000 of each participant's deferrals annually. Contributions to these plans are made in amounts approved annually by the Board of Directors. Aggregate contributions made by the Company to these plans were $2,460,000, $2,090,000 and $1,659,000 for 1998, 1997 and 1996, respectively.

NOTE 7 - CAPITAL STOCK:

Each outstanding share of preferred stock is entitled to one vote on all matters submitted to a vote of shareholders, except for matters involving mergers, the sale of all Company assets, amendments to the Company's charter and exchanges of Company stock for stock of another company which require approval by a majority of each class of capital stock. In such matters, the preferred and common shareholders will each vote as a separate class.

In November 1997, the Company completed a public offering of 3.7 million shares of common stock resulting in net proceeds to the Company of approximately $149,000,000.

NOTE 8 - COMMITMENTS AND CONTINGENCIES:

Operating leases

The Company leases distribution facilities and certain equipment under noncancelable operating leases which expire at various dates through 2005. Future minimum lease payments under all such leases for the succeeding five fiscal years are as follows: 1999 - $15,145,000; 2000 - $13,604,000; 2001 - $10,079,000; 2002 - $4,278,000; 2003 - $1,601,000 and $4,294,000 thereafter. Rental expense for all operating leases amounted to $15,704,000, $10,160,000 and $7,547,000 in 1998, 1997 and 1996, respectively.

NOTE 9 - ACQUISITIONS:

On July 1, 1997 the Company acquired approximately 77% of the voting common stock and 7% of the non-voting preferred stock of Macrotron AG ("Macrotron"), a distributor of personal computer products based in Munich, Germany. The initial acquisition was completed through an exchange of approximately $26 million in cash and 406,586 shares of the Company's common stock, for a combined total value of $35 million. On July 10, 1997, the Company commenced a tender offer for the remaining shares of Macrotron common and preferred stock at a price per share of DM730 and DM600, respectively. The tender offer period ended on September 5, 1997. As of January 31, 1998, the Company owned approximately 98% and 82% of Macrotron's common and preferred stock, respectively. The cash portion of the initial acquisition, the related tender offer and subsequent purchase of Macrotron's common and preferred stock were funded from the Company's revolving credit loan agreements.

The acquisition of Macrotron is accounted for under the purchase method. The preliminary purchase price allocation has resulted in approximately $51,000,000 in excess cost over the net fair market value of tangible assets acquired as of January 31, 1998. The Company is currently implementing its acquisition strategy which may result in an adjustment to the net assets acquired. Consistent with the Company's accounting policy for foreign subsidiaries, Macrotron's operations will be consolidated into the Company's consolidated financial statements on a calendar year basis. Consequently, the Company's fiscal year ending January 31, 1998 includes Macrotron's operations for the six month period beginning July 1, 1997 and ending December 31, 1997.

The following pro forma unaudited results of operations reflects the effect on the Company's operations, as if the above described acquisition had occurred at the beginning of each of the periods presented below:

	Year ended January 31,	
	1998	1997
	(In thousands)	
Net sales	$7,623,852	$5,571,406
Net income	90,161	60,716
Net income per common share:		
Basic	2.01	1.47
Diluted	1.93	1.43

The unaudited pro forma information is presented for informational purposes only and includes certain pro forma adjustments. Such pro forma information is not necessarily indicative of the operating results that would have occurred had the Macrotron acquisition been consummated as of the beginning of the periods above, nor are they necessarily indicative of future operating results.

NOTE 10 - SEGMENT INFORMATION:

The Company is engaged in one business segment, the wholesale distribution of microcomputer hardware and software products. The geographic areas in which the Company operates are the United States (United States including exports to Latin America and the Caribbean) and International (Germany, France, Canada, Switzerland, Austria and Brazil). The geographical distribution of net sales, operating income and identifiable assets are as follows (in thousands):

	United States	International	Eliminations	Consolidated
Fiscal year 1998				
Net sales to unaffiliated customers	$5,624,891	$ 1,431,728	$ -	$7,056,619
Operating income	$ 151,887	$	$ -	$ 172,638
Identifiable assets	$1,568,458	$ 616,925	$ -	$2,185,383
Fiscal year 1997				
Net sales to unaffiliated customers	$4,009,924	$ 589,017	$ -	$4,598,941
Operating income	$ 105,330	$ 9,681	$ -	$ 115,011
Identifiable assets	$1,327,156	$ 218,138	$ -	$1,545,294
Fiscal year 1996				
Net sales to unaffiliated customers	$2,654,750	$ 431,870	$ -	$3,086,620
Operating income	$ 48,419	$ 7,185	$ -	$ 55,604
Identifiable assets	$ 868,910	$ 174,969	$ -	$1,043,879

NOTE 11 - UNAUDITED INTERIM FINANCIAL INFORMATION:

	Quarter ended			
	April 30	July 31	October 31	January 31
	(In thousands, except per share amounts)			
Fiscal year 1998				
Net sales	$1,370,146	$1,551,820	$2,021,479	$2,113,174
Gross profit	95,177	103,978	129,342	137,249
Net income	18,222	21,464	23,673	26,126
Net income per common share:				
Basic	.42	.49	.54	.55
Diluted	.41	.47	.51	.53

	Quarter ended			
	April 30	July 31	October 31	January 31
	(In thousands, except per share amounts)			
Fiscal year 1997				
Net sales	$ 985,574	$1,063,228	$1,236,650	$1,313,489
Gross profit	69,012	74,302	85,955	92,512
Net income	10,428	12,016	16,748	17,781
Net income per common share:				
Basic	.27	.31	.39	.41
Diluted	.27	.30	.38	.40

ITEM 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

PART III

ITEMS 10, 11, 12 and 13.

The information required by Item 10 relating to executive officers of the registrant is included under the caption "Executive Officers" of Item 1 of this Form 10-K. The information required by Item 10 relating to Directors of the registrant and the information required by Items 11, 12 and 13 is incorporated herein by reference to the registrant's definitive proxy statement for the 1998 Annual Meeting of Shareholders. However, the information included in such definitive proxy statement under the subcaption entitled “Grant Date Present Value” in the table entitled “Option Grants in Last Fiscal Year”, the information included under the caption entitled “Compensation Committee Report on Executive Compensation”, and the information included in the “Stock Price Performance Graph” shall not be deemed incorporated by reference in this Form 10-K and shall not otherwise be deemed filed under the Securities Act of 1933, as amended, or under the Securities Exchange Act of 1934, as amended. The definitive proxy statement for the 1998 Annual Meeting of Shareholders will be filed with the Commission prior to May 31, 1998.

ITEM 14. Exhibits, Financial Statement Schedule, and Reports on Form 8-K

(a) Listed below are the financial statements and the schedule filed as part of this report:

Financial Statements	**Page**
Report of Independent Certified Public Accountants	16
Consolidated Balance Sheet at January 31, 1998 and 1997	17
Consolidated Statement of Income for the three years ended January 31, 1998	18
Consolidated Statement of Changes in Shareholders' Equity for the three years ended January 31, 1998	18
Consolidated Statement of Cash Flows for the three years ended January 31, 1998	19
Notes to Consolidated Financial Statements	20
Financial Statement Schedule	
Report of Independent Certified Public Accountants on Financial Statement Schedule	33
Consent of Independent Certified Public Accountants	33
Schedule II. -- Valuation and qualifying accounts	34

All schedules and exhibits not included are not applicable, not required or would contain information which is shown in the financial statements or notes thereto.

(b) The Company was not required to file a report on Form 8-K during the fiscal year ended January 31, 1998.

(c) The exhibit numbers on the following list correspond to the numbers in the exhibit table required pursuant to Item 601 of Regulation S-K.

3-A(1) -- Articles of Incorporation of the Company as amended to April 23, 1986.

3-B(2) -- Articles of Amendment to Articles of Incorporation of the Company filed on August 27, 1987.

3-C(13) -- By-Laws of the Company as amended to November 28, 1995.

3-F(9)	-- Articles of Amendment to Articles of Incorporation of the Company filed on July 15, 1993.
4-E(15)	-- Articles of Amendment to Articles of Incorporation of the Company filed on June 25, 1997.
10-F(4)	-- Incentive Stock Option Plan, as amended, and form of option agreement.
10-G(10)	-- Employee Stock Ownership Plan as amended December 16, 1994.
10-V(5)	-- Employment Agreement between the Company and Edward C. Raymund dated as of January 31, 1991.
10-W(5)	-- Irrevocable Proxy and Escrow Agreement dated April 5, 1991.
10-X(6)	-- First Amendment to the Employment Agreement between the Company and Edward C. Raymund dated November 13, 1992.
10-Y(6)	-- First Amendment in the nature of a Complete Substitution to the Irrevocable Proxy and Escrow Agreement dated November 13, 1992.
10-Z(7)	-- 1990 Incentive and Non-Statutory Stock Option Plan as amended.
10-AA(7)	-- Non-Statutory Stock Option Grant Form.
10-BB(7)	-- Incentive Stock Option Grant Form.
10-CC(8)	-- Employment Agreement between the Company and Steven A. Raymund dated February 1, 1992.
10-EE(10)	-- Retirement Savings Plan as amended January 26, 1994.
10-FF(9)	-- Revolving Credit and Reimbursement Agreement dated December 22, 1993.
10-GG(9)	-- Transfer and Administration Agreement dated December 22, 1993.
10-HH(10)	-- Amendments (Nos. 1-4) to the Transfer and Administration Agreement.
10-II(10)	-- Amended and Restated Revolving Credit and Reimbursement Agreement dated July 28, 1994, as amended.
10-JJ(10)	-- Revolving Foreign Currency Agreement dated August 4, 1994, as amended.
10-KK(13)	-- Amendments (Nos. 5,6) to the Transfer and Administration Agreement
10-LL(13)	-- Amendments (Nos. 3-5) to the Amended and Restated Revolving Credit and Reimbursement Agreement dated July 28, 1994, as amended.
10-MM(13)	-- Amendments (Nos. 3-5) to the Revolving Foreign Currency Agreement dated August 4, 1994, as amended.
10-NN(12)	-- Non-Employee Directors' 1995 Non-Statutory Stock Option Plan.
10-OO(12)	-- 1995 Employee Stock Purchase Plan.
10-PP(12)	-- Employment Agreement between the Company and A. Timothy Godwin dated as of December 5, 1995.
10-QQ(14)	-- Amended and Restated Transfer and Administration Agreement dated January 21, 1997.
10-RR(14)	-- Amendment Number 1 to the Amended and Restated Transfer and Administration Agreement dated March 3, 1997.
10-SS(14)	-- Revolving Credit and Reimbursement Agreement dated May 23, 1996.
10-TT(15)	-- Amendment Number 2 to the Amended and Restated Transfer and Administration Agreement dated July 29, 1997.
10-UU(15)	-- Revolving Credit and Reimbursement Agreement dated August 28, 1997.
10-VV(16)	-- Amendment Number 3 to the Amended and Restated Transfer and Administration Agreement dated December 18, 1997.
21(16)	-- Subsidiaries of Registrant.
27(3)	-- Financial Data Schedule (included in the electronic version only.)

99-A(3) -- Cautionary Statement For Purposes of the “Safe Harbor” Provisions of the Private Securities Litigation Reform Act of 1995.

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(1) Incorporated by reference to the Exhibits included in the Company’s Registration Statement on Form S-1, File No. 33-4135.
(2) Incorporated by reference to the Exhibits included in the Company’s Registration Statement on Form S-1, File No. 33-21997.
(3) Filed herewith.
(4) Incorporated by reference to the Exhibits included in the Company’s Registration Statement on Form S-8, File No. 33-21879.
(5) Incorporated by reference to the Exhibits included in the Company’s Form 10-Q for the quarter ended July 31, 1991, File No. 0-14625.
(6) Incorporated by reference to the Exhibits included in the Company’s Form 10-Q for the quarter ended October 31, 1992, File No. 0-14625.
(7) Incorporated by reference to the Exhibits included in the Company’s Registration Statement on Form S-8, File No. 33-41074.
(8) Incorporated by reference to the Exhibits included in the Company’s Form 10-K for the year ended January 31, 1993, File No. 0-14625.
(9) Incorporated by reference to the Exhibits included in the Company’s Form 10-K for the year ended January 31, 1994, File No. 0-14625.
(10) Incorporated by reference to the Exhibits included in the Company’s Form 10-K for the year ended January 31, 1995, File No. 0-14625.
(11) Incorporated by reference to the Exhibits included in the Company’s Form 8-K filed on March 26, 1996, File No. 0-14625.
(12) Incorporated by reference to the Exhibits included in the Company’s Definitive Proxy Statement for the 1995 Annual Meeting of Shareholders, File No. 0-14625.
(13) Incorporated by reference to the Exhibits included in the Company’s Form 10-K for the year ended January 31, 1996, File No. 0-14625.
(14) Incorporated by reference to the Exhibits included in the Company’s Form 10-K for the year ended January 31, 1997, File No. 0-14625.
(15) Incorporated by reference to the Exhibits included in the Company’s Registration Statement on Form S-3, File No. 333-36999.
(16) To be filed by amendment.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors and Shareholders
of Tech Data Corporation

Our audits of the consolidated financial statements referred to in our report dated March 18, 1998 appearing on page 16 of this Form 10-K of Tech Data Corporation also included an audit of the Financial Statement Schedule listed in Item 14 of this Form 10-K. In our opinion, this Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

Price Waterhouse LLP
Tampa, Florida
March 18, 1998

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8s (Nos. 33-21879, 33-41074, 33-62181 and 33-60479) of Tech Data Corporation of our report dated March 18, 1998 appearing on page 16 of this Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedule appearing above.

Price Waterhouse LLP
Tampa, Florida
April 8, 1998

SCHEDULE II
TECH DATA CORPORATION AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
(In thousands)

		Additions			
Description	**Balance at beginning of period**	**Charged to cost and expenses**	**Other(1)**	**Deductions**	**Balance at end of period**
Allowance for doubtful accounts receivable and sales returns:					
January 31,					
1998	$23,922	$22,634	$9,328	$(26,153)	$29,731
1997	22,669	19,648	4,290	(22,685)	23,922
1996	16,580	17,433	4,538	(15,882)	22,669

(1) Other includes recoveries, acquisitions and the effect of fluctuations in foreign currency.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 8th day of April, 1998.

TECH DATA CORPORATION

By /s/ STEVEN A. RAYMUND
Steven A. Raymund,
Chairman of the Board of Directors;
Chief Executive Officer

POWER OF ATTORNEY

Each person whose signature to this Annual Report on Form 10-K appears below hereby appoints Jeffery P. Howells and Arthur W. Singleton, or either of them, as his attorney-in-fact to sign on his behalf individually and in the capacity stated below and to file all amendments and post-effective amendments to this Annual Report on Form 10-K, and any and all instruments or documents filed as a part of or in connection with this Annual Report on Form 10-K or the amendments thereto, and the attorney-in-fact, or either of them, may make such changes and additions to this Annual Report on Form 10-K as the attorney-in-fact, or either of them, may deem necessary or appropriate.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ STEVEN A. RAYMUND Steven A. Raymund	Chairman of the Board of Directors; Chief Executive Officer	April 8, 1998
/s/ JEFFERY P. HOWELLS Jeffery P. Howells	Executive Vice President; Chief Financial Officer (principal financial officer)	April 8, 1998
/s/ JOSEPH B. TREPANI Joseph B. Trepani	Senior Vice President and Corporate Controller (principal accounting officer)	April 8, 1998
/s/ ARTHUR W. SINGLETON April 8, 1998 Arthur W. Singleton	Vice President, Treasurer and Secretary	
/s/ CHARLES E. ADAIR Charles E. Adair	Director	April 8, 1998
/s/ DANIEL M. DOYLE Daniel M. Doyle	Director	April 8, 1998
/s/ DONALD F. DUNN Donald F. Dunn	Director	April 8, 1998
/s/ EDWARD C. RAYMUND Edward C. Raymund	Director; Chairman Emeritus	April 8, 1998
/s/ DAVID M. UPTON David M. Upton	Director	April 8, 1998
/s/ JOHN Y. WILLIAMS John Y. Williams	Director	April 8, 1998