



The Difference in DistributionSM



Execute

Diversify

Innovate

Execute

Diversify

Innovate

Execute

Diversify

Innovate



Tech Data

A leading distributor of technology solutions, with more than 90,000 customers in over 100 countries.

Execute

Diversify

Innovate

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Innovate

A Clear Strategy:

Tech Data was built on its ability to execute. We distributed over \$21 billion in IT products in fiscal 2007 and we will continue to capitalize on this strength.



Execute

Through continued innovation, we can drive new efficiencies, improve customer service and enhance our financial performance.



Innovate

We continually explore new and adjacent product markets and geographies for opportunities to diversify our business and advance our position.



Diversify

Strengthening our position

Execute Diversify Innovate Execute Diversify Innovate Execute Diversify Innovate

Worldwide Net Sales



Net Sales by Region for Fiscal 2007



For the fiscal years ended January 31, (In millions, except per-share data)

| | 2007 | 2006 | 2005 |
|------------------------------------------------------|-----------|----------|----------|
| Net Sales | \$21,440 | \$20,483 | \$19,731 |
| GAAP operating (loss) income | \$ (4) | \$ 163 | \$ 232 |
| Non-GAAP operating income ⁽¹⁾ | \$ 164 | \$ 204 | \$ 232 |
| GAAP net (loss) income per diluted share | \$ (1.76) | \$.45 | \$ 2.74 |
| Non-GAAP net income per diluted share ⁽¹⁾ | \$ 1.40 | \$ 2.08 | \$ 2.55 |
| Cash conversion cycle (days) | 30 | 29 | 31 |
| Cash and cash equivalents | \$ 265 | \$ 157 | \$ 195 |
| Total debt | \$ 443 | \$ 251 | \$ 377 |
| Shareholders' equity | \$ 1,703 | \$ 1,760 | \$ 1,927 |

(1) Please refer to page 58 for the GAAP to non-GAAP reconciliation.



Achieved **record** worldwide
net sales of **\$21.4 billion**

4.7%
growth

Dear Valued Shareholders:

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Fiscal 2007 marked a year of transition and further alignment for Tech Data. Steve Raymund retired as chief executive officer after 25 years of leadership with the company, and on behalf of the Board of Directors and the entire team at Tech Data, we thank Steve for his vision and tremendous accomplishments throughout the years. As a veteran industry expert, Steve continues to provide valuable insight in his ongoing role as Tech Data's Chairman of the Board.

Turning to our financial results, our performance during the year was mixed, as we completed our European restructuring program and continued to stabilize our operations in the region. Our Americas segment executed well, delivering another year of solid performance in a market that remains very competitive. We generated worldwide non-GAAP operating income of \$164.3 million while achieving record net sales of \$21.4 billion, as we focused on growing our net sales responsibly, at a managed pace. There is still work for us to do, but today we believe our company is stronger, better prepared and more appropriately aligned to prosper in the marketplace.

Since joining the Tech Data team in October 2006, I made it a priority to meet with many of our vendors, customers, employees and shareholders worldwide. What I learned is that most view Tech Data as a significant and strategic player in IT distribution and that our company possesses the business fundamentals, talent and financial strength required to accelerate our success. Throughout my discussions with our various stakeholders, I was often presented with the same key questions about Tech Data and our future. Let me share a few of those questions and my responses with you.

Q>> What is your strategic mission for Tech Data?

As we look ahead into fiscal 2008 and beyond, we will continue to reaffirm three operating objectives that support Tech Data's strategic mission, drive our growth in the marketplace and position Tech Data for continued success. These include our ability to effectively **execute** across all levels of our operations, **diversify** into new and adjacent markets and **innovate** the way we do business. Tech Data represents a critical route to the market for the world's largest, most dynamic suppliers of IT solutions. Our ability to hone our position and deliver upon our operating objectives impacts our success, but more importantly it impacts the success of our vendors and our customers.

Execute. Our company was built on its ability to execute. We buy and sell, then pick, pack and ship tens of thousands of products every day. Through superior execution, we built a dynamic company that in fiscal 2007 distributed over \$21 billion in IT products into over 100 countries. Our ability to execute is a competitive advantage, and we'll look to gain additional leverage from this strength.

Diversify. There is a tremendous opportunity for us to expand and enhance Tech Data's business prospects via diversification into new and adjacent product markets and geographies while leveraging our current infrastructure and logistics expertise. We're continually exploring new opportunities to further fuel our growth while we attain our objectives of maximizing profits and increasing return on capital employed.



bringing you the future in technology solutions

Execute

Diversify

Innovate



Innovate. In an industry that is constantly evolving, requiring companies to conduct business more efficiently, it is critical for Tech Data to continuously invest in innovation to better serve our vendors and customers. For example, through the deployment of warehouse management technologies and e-commerce capabilities, we can improve customer service, better control costs and gain a marked competitive advantage.

By aggressively pursuing these operating objectives, we believe we will continually strengthen our position as a leader in the marketplace. In recent years, our energies have been heavily focused on internal issues as we traversed the challenges in Europe, alongside very competitive market conditions worldwide. With our stabilization efforts progressing in Europe and the continued solid execution of our operations in the Americas, we are committed more than ever to redeploying our energies in the marketplace and advancing our position worldwide.

Q>> Tech Data's European and Americas operations are markedly different in their structure and recent financial performance. Is Tech Data on track worldwide for long-term, sustainable growth?

Fiscal 2007, specifically the third quarter, marked the completion of several key initiatives in Europe including our restructuring, warehouse regionalization, the integration of our Azlan acquisition and the implementation of a Pan-European SAP system. It was critical for Tech Data to streamline its European infrastructure, rationalize its logistics capabilities and eliminate redundancies, while ultimately building a pan-European operation on a single state-of-the-art enterprise resource planning (ERP) system. Our improved execution combined with these initiatives began to deliver better results in the second half of fiscal 2007. We will continue to optimize our operations in Europe by leveraging our infrastructure, energizing our sales and marketing execution and targeting products, geographies and customers that offer strong growth and profitability.

The Americas region continued its solid performance in fiscal 2007 with 5.3 percent growth in net sales and an operating margin, excluding stock-based compensation, of 1.61 percent of net sales. While the Americas region remains quite competitive, our superior execution and coverage model continue to deliver results.

In both the Americas and Europe, we carefully managed our product and customer portfolio mix in our effort to deliver responsible growth. This remains a constant objective as we replace under-performing business with a more profitable mix. The small-to-medium sized business (SMB) segment is the fastest growing sector of the IT industry and we continue to expand our SMB coverage model to further penetrate this generally higher margin market.

In fiscal 2008, we will continue to control our selling, general and administrative (SG&A) expenses, but we will also make investments across our operations worldwide in IT enhancements and sales programs that will yield tactical benefits. All of our investments are targeted at better positioning Tech Data for long-term, profitable growth.

As we look to the future, we will continue to reaffirm our operating objectives to effectively **execute** across our operations, **diversify** into new and adjacent markets, and **innovate** the way we do business.



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Innovate

Q>> How are you preparing Tech Data for continued success in an industry that continues to evolve and remain particularly competitive?

The challenge of being responsive to changes in technology and the needs of our vendors and customers make it imperative that Tech Data be more innovative, more adept and more daring in its business approach. We put our strategy into action by taking several steps in fiscal 2007 and in the early part of fiscal 2008.

During the fourth quarter of fiscal 2007, we created the Advanced Infrastructure Systems (AIS) division. The mission of AIS is to diversify Tech Data into emerging technology markets that deliver higher growth with better margins. We believe rapidly evolving solutions like industry standard servers, blades, virtualization, storage and open source software products will change the channel as we know it, and we're poised to maintain our leadership position as this transition unfolds. The creation of AIS diversifies our business for the future and it positions us as an innovator in the eyes of our vendors and customers.

In February 2007, we announced that we are establishing a joint venture with Brightstar Corp., a world leader in mobile and wireless devices. This evolving relationship will open up the European mobile device market to Tech Data—a market that is expected to grow by 12 percent in 2007 according to industry research. The partnership will position Tech Data in an adjacent technology market, diversifying our business, while allowing us to leverage our established logistics infrastructure and execution capabilities in Europe. This will be the first time Tech Data has entered into a joint venture agreement, making this a truly innovative way for us to accelerate our time to market in this fast growing segment.

In addition to Tech Data's years of proven success and recent initiatives aimed at furthering our position in the industry, we have maintained a solid financial position. Our cash conversion cycle was 30 days in fiscal 2007, a reduction of three days since fiscal 2004. During fiscal 2007, we completed a \$200 million stock repurchase program, purchasing 5.5 million shares—underscoring our commitment and confidence in our future. In December 2006, we also closed on \$350 million in 2.75 percent convertible debenture notes to support working capital needs.

In closing, I'm very proud of my Tech Data colleagues around the world and impressed not only by their industry knowledge, but their enthusiasm for the future. In many regards fiscal 2007 was a difficult year, and I thank the entire Tech Data team for their dedication and contributions. To our directors, vendors, customers and shareholders, I express my gratitude for your continued commitment to Tech Data. As we look to the future, we will continue to reaffirm our operating objectives to execute, diversify and innovate—positioning Tech Data for increased success in the industry. Our veteran management team is poised and ready to lead us in these efforts as we continue to sharpen our focus and respond aggressively to our expanding marketplace.

Bob Dutkowsky
Chief Executive Officer



Financial table of contents

| | |
|--------------------------------------------------------------------------------------------------------------------|-----------|
| Selected Consolidated Financial Data | 6 |
| Management's Discussion and Analysis of Financial Condition and Results of Operations | 8 |
| Reports of Independent Registered Certified Public Accounting Firm | 25 |
| Consolidated Balance Sheet | 27 |
| Consolidated Statement of Operations | 28 |
| Consolidated Statement of Shareholders' Equity | 29 |
| Consolidated Statement of Cash Flows | 30 |
| Notes to Consolidated Financial Statements | 31 |
| Market for the Registrant's Common Stock, Related Shareholder Matters and Issuer Purchases of Equity Securities | 56 |
| Stock Performance Chart | 57 |
| GAAP to Non-GAAP Reconciliation (Unaudited) | 58 |

Selected Consolidated Financial Data

The following table sets forth certain selected consolidated financial data. In the first quarter of fiscal 2007, management sold the European Training Business (the "Training Business"). The results of operations of the Training Business have been reclassified and presented as "income (loss) from discontinued operations, net of tax," for all periods presented below. The balance sheet data has not been reclassified as the net assets of the Training Business are less than 0.5% of the total net assets of the Company. This information should be read in conjunction with the MD&A and our consolidated financial statements and notes thereto appearing elsewhere in this Annual Report.

| Five Year Financial Summary | 2007 | 2006 | 2005 | 2004 | 2003 |
|---------------------------------------------------------------------------|---------------------|--------------|--------------|--------------|--------------|
| (In thousands, except per share data) | | | | | |
| Income statement data: | | | | | |
| Net sales | \$21,440,445 | \$20,482,851 | \$19,730,917 | \$17,358,525 | \$15,738,945 |
| Cost of products sold | 20,433,674 | 19,460,332 | 18,667,184 | 16,414,773 | 14,907,187 |
| Gross profit | 1,006,771 | 1,022,519 | 1,063,733 | 943,752 | 831,758 |
| Selling, general and administrative expenses | 851,097 | 828,278 | 832,178 | 771,786 | 612,728 |
| Goodwill impairment ⁽¹⁾ | 136,093 | — | — | — | 328,872 |
| Restructuring charges ⁽²⁾ | 23,764 | 30,946 | — | — | — |
| Special charges | — | — | — | 3,065 | — |
| Operating (loss) income | (4,183) | 163,295 | 231,555 | 168,901 | (109,842) |
| Loss on disposition of subsidiaries, net | — | — | — | — | 5,745 |
| Discount on sale of accounts receivable | 12,509 | 5,503 | — | — | — |
| Interest expense, net | 28,742 | 23,996 | 22,867 | 16,566 | 24,045 |
| Net foreign currency exchange (gain) loss | (15) | 1,816 | (2,959) | (1,893) | (6,942) |
| (Loss) income from continuing operations before income taxes | (45,419) | 131,980 | 211,647 | 154,228 | (132,690) |
| Provision for income taxes ⁽³⁾ | 55,508 | 109,013 | 52,025 | 47,040 | 67,128 |
| (Loss) income from continuing operations | (100,927) | 22,967 | 159,622 | 107,188 | (199,818) |
| Discontinued operations, net of tax | 3,946 | 3,619 | 2,838 | (3,041) | — |
| Net (loss) income | \$ (96,981) | \$ 26,586 | \$ 162,460 | \$ 104,147 | \$ (199,818) |
| (Loss) income per common share—basic: | | | | | |
| Continuing operations | \$ (1.83) | \$ 0.40 | \$ 2.74 | \$ 1.88 | \$ (3.55) |
| Discontinued operations | 0.07 | 0.06 | 0.05 | (0.05) | — |
| Net (loss) income per common share—basic | \$ (1.76) | \$ 0.46 | \$ 2.79 | \$ 1.83 | \$ (3.55) |
| (Loss) income per common share—diluted: | | | | | |
| Continuing operations | \$ (1.83) | \$ 0.39 | \$ 2.69 | \$ 1.86 | \$ (3.55) |
| Discontinued operations | 0.07 | 0.06 | 0.05 | (0.05) | — |
| Net (loss) income per common share—diluted | \$ (1.76) | \$ 0.45 | \$ 2.74 | \$ 1.81 | \$ (3.55) |
| Weighted average common shares outstanding: | | | | | |
| Basic | 55,129 | 57,749 | 58,176 | 56,838 | 56,256 |
| Diluted | 55,129 | 58,414 | 59,193 | 57,501 | 56,256 |
| Dividends per common share | — | — | — | — | — |

| | 2007 | 2006 | 2005 | 2004 | 2003 |
|---------------------------------------------|---------------------------------------|-------------|-------------|-------------|-------------|
| | (In thousands, except per share data) | | | | |
| Balance sheet data: | | | | | |
| Working capital | \$1,816,564 | \$1,392,108 | \$1,488,617 | \$1,525,432 | \$1,399,283 |
| Total assets | 4,703,864 | 4,404,634 | 4,557,736 | 4,167,886 | 3,248,018 |
| Revolving credit loans | 77,195 | 235,088 | 68,343 | 80,221 | 188,309 |
| Current portion of long-term debt | 2,376 | 1,605 | 291,625 | 9,258 | 1,403 |
| Long-term debt | 363,604 | 14,378 | 17,215 | 307,934 | 314,498 |
| Other long-term liabilities | 46,252 | 38,598 | 45,178 | 46,591 | 16,155 |
| Shareholders' equity | 1,702,720 | 1,760,307 | 1,927,471 | 1,658,489 | 1,338,530 |

(1) See Note 6 of Notes to Consolidated Financial Statements for discussion of the goodwill impairment recorded in fiscal year 2007.

(2) See Note 7 of Notes to Consolidated Financial Statements for discussion of restructuring costs incurred in fiscal year 2006 and 2007.

(3) See Note 10 of Notes to Consolidated Financial Statements for discussion of the \$8.4 million and \$56.0 million increases in the deferred tax asset valuation allowance in fiscal 2007 and 2006, respectively.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This Annual Report, including this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), contains forward-looking statements, as described in the "safe harbor" provision of the Private Securities Litigation Reform Act of 1995. These statements involve a number of risks and uncertainties and actual results could differ materially from those projected. These forward-looking statements regarding future events and the future results of Tech Data Corporation are based on current expectations, estimates, forecasts, and projections about the industries in which we operate and the beliefs and assumptions of our management. Words such as "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "seeks," "estimates," variations of such words, and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characterizations of future events or circumstances, are forward-looking statements. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. Readers are referred to the cautionary statements and important factors discussed in Risk Factors of this Annual Report on page 52 for further information. We undertake no obligation to revise or update publicly any forward-looking statements for any reason.

Factors that could cause actual results to differ materially include the following:

- competition
- narrow profit margins
- dependence on information systems
- acquisitions
- exposure to natural disasters, war and terrorism
- dependence on independent shipping companies
- labor strikes
- risk of declines in inventory value
- product availability
- vendor terms and conditions
- loss of significant customers
- customer credit exposure
- need for liquidity and capital resources; fluctuations in interest rates
- foreign currency exchange rates; exposure to foreign markets

- changes in income tax and other regulatory legislation
- changes in accounting rules
- volatility of common stock price

Overview

Tech Data is a leading distributor of information technology ("IT") products, logistics management and other value-added services. We distribute microcomputer hardware and software products to value-added resellers, corporate resellers, direct marketers and retailers. Our offering of value-added customer services includes training and technical support, external financing options, configuration services, outbound telemarketing, marketing services and a suite of electronic commerce solutions. We manage our business in two geographic segments: the Americas (including the United States, Canada, Latin America and export sales to the Caribbean) and Europe, formerly referred to as EMEA (including Europe, the Middle East and export sales to Africa).

Our strategy is to leverage our efficient cost structure combined with our multiple service offerings to generate demand and cost efficiencies for our suppliers and customers around the world. The IT distribution industry in which we operate is characterized by narrow gross profit as a percentage of sales ("gross margin") and narrow income from operations as a percentage of sales ("operating margin"). Historically, our gross and operating margins have been impacted by intense price competition, as well as changes in terms and conditions with our suppliers, including those terms related to rebates and other incentives and price protection. We expect these competitive pricing pressures to continue in the foreseeable future, and therefore, we will continue to evaluate our pricing policies and terms and conditions offered to our customers in response to changes in our vendors' terms and conditions and the general market environment. We will continue to focus on not only disciplined pricing and purchasing practices, but also on realigning our customer and vendor portfolio to support a sustainable higher margin business that will help drive long-term profitability throughout all of our operations. As we continue to evaluate our existing pricing policies and make future changes, if any, within our customer or vendor portfolio, we may experience moderated sales growth or sales declines. In addition, increased competition and changes in general economic conditions within the markets in which we conduct business may hinder our ability to maintain and/or improve gross margin from its current level.

From a balance sheet perspective, we require working capital primarily to finance accounts receivable and inventory. We have historically relied upon debt, trade credit from our vendors, and accounts receivable financing programs for our working capital needs. We believe our balance sheet at January 31, 2007 was one of the strongest in the industry, with a debt to capital ratio (calculated as total debt divided by the aggregate of total debt and total shareholders' equity) of 21%.

We continue to be satisfied with our performance over the last several years within the Americas. However, our profitability within Europe has been well below our expectations. We believe our lack of acceptable operating performance in Europe was the result of a combination of factors, including weaker demand conditions in certain countries, competitive pricing pressures, declining average selling prices and, most notably, the diverted focus of our management team in the region. Specifically, the combined effect of the completion of our comprehensive IT systems upgrade and harmonization project, further integration of our Azlan operations and, most recently, the implementation of our European restructuring program initiated in May 2005, diverted the focus of our management team in the region from executing appropriate pricing, purchasing and sales management practices.

In order to dedicate our strategic efforts and focus towards core growth opportunities, as well as our European turnaround, during the first quarter of fiscal 2007, we completed the sale of our Training Business to a third-party for total cash consideration of \$16.5 million, resulting in an after-tax gain of \$3.8 million. Our results of operations for the Training Business and the gain on the sale of the Training Business have been reclassified and presented as "discontinued operations, net of tax" in our Consolidated Statement of Operations for all periods presented. The reclassification of the Training Business had the effect of reducing previously reported gross margin and selling, general and administrative expenses ("SG&A") as a percentage of consolidated net sales by approximately .20% to .23% for fiscal 2006 and 2005. The impact on previously reported operating margin for these periods was relatively insignificant. The assets and liabilities of the Training Business have not been reclassified in our January 31, 2006 Consolidated Balance Sheet as the net assets of the Training Business were less than 0.5% of the total consolidated net assets of the Company.

During the second quarter of fiscal 2007, our challenges in Europe intensified. During this quarter, we recorded sharply lower than expected revenues which we believe was the result of a

further deceleration in IT demand within Europe, in comparison to previous quarters. This deceleration in IT demand during the quarter, particularly within Western Europe where the majority of our European revenue is derived, was a key factor leading to a heightened level of pricing pressure experienced within the region during the quarter. This further deceleration in IT demand and heightened pricing pressure, coupled with continued internal distractions of management related to the restructuring program, resulted in our European operating results for the quarter falling well short of our internal expectations. As a result, we believed we had strong indicators of impairment of our goodwill in Europe and, therefore, we performed an impairment test for goodwill as of July 31, 2006. This goodwill impairment analysis reflected the recast of both our short- and longer-term European financial outlook and resulted in our determination that a \$136.1 million non-cash goodwill impairment charge was necessary as of July 31, 2006.

As a result of the market factors discussed in the paragraph above, we believe it will take longer than originally anticipated to reach an acceptable level of profitability in Europe. The major initiatives surrounding our restructuring program were completed in the third quarter of fiscal 2007, and the savings realized from our restructuring initiatives have partially offset the pressure on our gross margins experienced during the year. In addition, the dedicated resources which have been assigned across the region to optimize pricing, purchasing and sales management practices have begun to produce improvements. During the second semester of fiscal 2007, we have seen our European operations begin to stabilize with improving revenue growth and gross margins compared to the first semester of fiscal 2007. While we still have opportunities and expectations for additional improvement, we believe that our performance within several countries, especially during the second semester of fiscal 2007, is a positive indicator of the Company's ability to improve our operating performance in Europe. However, we continue to remain cautiously optimistic, as the competitive environment and changes in general economic conditions within the markets in which we conduct business may hinder our ability to continue to improve our operating margins from their current level.

Effective February 1, 2006, we adopted the fair value recognition provisions of Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payments" ("SFAS No. 123R"), using the modified prospective transition method, and therefore have not restated our results of operations for the prior

Management's Discussion and Analysis of Financial Condition and Results of Operations

continued

periods. Under this transition method, stock-based compensation expense for fiscal 2007 includes compensation expense for stock-based compensation awards granted prior to, but not yet vested as of January 31, 2006, and for stock-based compensation awards granted after January 31, 2006. SFAS No. 123R eliminates the ability to account for stock-based compensation transactions using the intrinsic value method under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." In accordance with SFAS No. 123R, we recognize stock-based compensation expense, reduced for estimated forfeitures, on a straight-line basis over the requisite service period of the award. During fiscal 2007, we recognized \$8.0 million of stock-based compensation expense as a result of the adoption of SFAS No. 123R. See further discussion related to our adoption of SFAS No. 123R included in Note 1 of Notes to Consolidated Financial Statements.

Critical Accounting Policies and Estimates

The information included within MD&A is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures. On an on-going basis, we evaluate these estimates, including those related to bad debts, inventory, vendor incentives, goodwill and intangible assets, deferred taxes, and contingencies. Our estimates and judgments are based on currently available information, historical results, and other assumptions we believe are reasonable. Actual results could differ materially from these estimates. We believe the following critical accounting policies affect the more significant judgments and estimates used in the preparation of our consolidated financial statements.

Accounts Receivable

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. In estimating the required allowance, we take into consideration the overall quality and aging of the receivable portfolio, the existence of credit insurance and specifically identified customer risks. Also influencing our estimates are the following: (1) the large number of customers and their dispersion across wide geographic areas; (2) the fact that no single customer accounts for more than 5% of our net sales; (3) the value and adequacy of collateral received from customers, if any and (4) our

historical loss experience. If actual customer performance were to deteriorate to an extent not expected by us, additional allowances may be required which could have an adverse effect on our consolidated financial results. Conversely, if actual customer performance were to improve to an extent not expected by us a reduction in allowances may be required which could have a favorable effect on our consolidated financial results.

Inventory

We value our inventory at the lower of its cost or market value, with cost being determined on the first-in, first-out method. We write down our inventory for estimated obsolescence equal to the difference between the cost of inventory and the estimated market value based upon an aging analysis of the inventory on hand, specifically known inventory-related risks (such as technological obsolescence and the nature of vendor terms surrounding price protection and product returns), foreign currency fluctuations for foreign-sourced product, and assumptions about future demand. Market conditions or changes in terms and conditions by our vendors that are less favorable than those projected by management may require additional inventory write-downs, which could have an adverse effect on our consolidated financial results.

Vendor Incentives

We receive incentives from vendors related to cooperative advertising allowances, infrastructure funding, volume rebates and other incentive agreements. These incentives are generally under quarterly, semi-annual or annual agreements with the vendors; however, some of these incentives are negotiated on an ad hoc basis to support specific programs mutually developed with the vendor. Unrestricted volume rebates and early payment discounts received from vendors are recorded as a reduction of inventory upon receipt of funds and as a reduction of cost of products sold as the related inventory is sold. Incentives received from vendors for specifically identified cooperative advertising programs and infrastructure funding are recorded as adjustments to selling, general and administrative expenses, and any reimbursement in excess of the related cost is recorded in the same manner as unrestricted volume rebates, as discussed above.

We also provide reserves for receivables on vendor programs for estimated losses resulting from vendors' inability to pay or rejections of claims by vendors. Should amounts recorded as outstanding receivables from vendors be uncollectible, additional allowances may be required which could have an adverse effect on our consolidated financial results.

Goodwill, Intangible Assets and Other Long-Lived Assets

The carrying value of goodwill is reviewed at least annually for impairment and may also be reviewed more frequently if current events and circumstances indicate a possible impairment. An impairment loss is charged to expense in the period identified. We also examine the carrying value of our intangible assets with finite lives, which includes capitalized software and development costs, purchased intangibles, and other long-lived assets as current events and circumstances warrant determining whether there are any impairment losses. If indicators of impairment are present and future cash flows are not expected to be sufficient to recover the assets' carrying amount, an impairment loss is charged to expense in the period identified. Factors that may cause a goodwill, intangible asset or other long-lived asset impairment include negative industry or economic trends and significant underperformance relative to historical or projected future operating results. Our valuation methodologies include, but are not limited to, estimating the net present value of the projected cash flows of our reporting units. If actual results are substantially lower than our projections underlying these assumptions, or if market discount rates substantially increase, our future valuations could be adversely affected, potentially resulting in future impairment charges.

Income Taxes

We record valuation allowances to reduce our deferred tax assets to the amount expected to be realized. In assessing the adequacy of a recorded valuation allowance, we consider all positive and negative evidence and a variety of factors including, the scheduled reversal of deferred tax liabilities, historical and projected future taxable income, and prudent and feasible tax planning strategies. If we determine we would be able to use a deferred tax asset in the future in excess of its net carrying value, an adjustment to the deferred tax asset valuation allowance would

be made to reduce income tax expense, thereby increasing net income in the period such determination was made. Should we determine that we are unable to realize all or part of our net deferred tax assets in the future, an adjustment to the deferred tax asset valuation allowance would be made to income tax expense, thereby reducing net income in the period such determination was made.

Contingencies

We accrue for contingent obligations, including estimated legal costs, when the obligation is probable and the amount is reasonably estimable. As facts concerning contingencies become known, we reassess our position and make appropriate adjustments to the financial statements. Estimates that are particularly sensitive to future changes include those related to tax, legal, and other regulatory matters such as imports and exports, the imposition of international governmental controls, changes in the interpretation and enforcement of international laws (in particular related to items such as duty and taxation), and the impact of local economic conditions and practices, which are all subject to change as events evolve and as additional information becomes available during the administrative and litigation process.

Recent Accounting Pronouncements and Legislation

See Note 1 of Notes to Consolidated Financial Statements for the discussion on recent accounting pronouncements and legislation.

Results of Operations

Except for the section relating to discontinued operations, the Results of Operations discussion below relates only to continuing operations.

The following tables set forth our net sales and operating income, by geographic region, for the years ended January 31, 2007, 2006 and 2005:

| | 2007 | % of net sales | 2006 | % of net sales | 2005 | % of net sales |
|---------------------------------------------------|--------------|-------------------|--------------|-------------------|--------------|-------------------|
| Net sales by geographic region (\$ in thousands): | | | | | | |
| Americas | \$ 9,965,074 | 46.48% | \$ 9,464,667 | 46.21% | \$ 8,482,512 | 42.99% |
| Europe | 11,475,371 | 53.52 | 11,018,184 | 53.79 | 11,248,405 | 57.01 |
| Worldwide | \$21,440,445 | 100.00% | \$20,482,851 | 100.00% | \$19,730,917 | 100.00% |

Management's Discussion and Analysis of Financial Condition and Results of Operations

continued

| | 2007 | 2006 | 2005 |
|------------------------------------------------------|-------------|--------|-------|
| Year-over-year increase (decrease) in net sales (%): | | | |
| Americas (US\$) | 5.3% | 11.6% | 8.2% |
| Europe (US\$) | 4.1% | (2.0)% | 18.2% |
| Europe (Euro) | 1.5% | (0.6)% | 9.0% |
| Worldwide (US\$) | 4.7% | 3.8% | 13.7% |

| | 2007 | % of net sales | 2006 | % of net sales | 2005 | % of net sales |
|--------------------------------------------|-------------------|-------------------|-----------|-------------------|-----------|-------------------|
| Operating income (loss) (\$ in thousands): | | | | | | |
| Americas | \$ 155,653 | 1.56% | \$154,839 | 1.64% | \$140,690 | 1.66% |
| Europe | (159,836) | (1.39)% | 8,456 | 0.08% | 90,865 | 0.81% |
| Worldwide | \$ (4,183) | (0.02)% | \$163,295 | 0.80% | \$231,555 | 1.17% |

We sell many products purchased from the world's leading peripheral, system and networking manufacturers and software publishers. Products purchased from HP generated 28%, 27% and 28% of our net sales in fiscal 2007, 2006 and 2005, respectively. There were no other manufacturers or publishers that accounted for 10% or more of our net sales in the past three years.

The following table sets forth our Consolidated Statement of Operations as a percentage of net sales for each of the three most recent fiscal years:

| | 2007 | 2006 | 2005 |
|---------------------------------------------------------------------------|----------------|---------|---------|
| Net sales | 100.00% | 100.00% | 100.00% |
| Cost of products sold | 95.30 | 95.01 | 94.61 |
| Gross profit | 4.70 | 4.99 | 5.39 |
| Selling, general and administrative expenses | 3.98 | 4.04 | 4.22 |
| Goodwill impairment | 0.63 | — | — |
| Restructuring charges | 0.11 | 0.15 | — |
| Operating (loss) income | (0.02) | 0.80 | 1.17 |
| Interest expense | 0.18 | 0.16 | 0.14 |
| Discount on sale of accounts receivable | 0.06 | 0.03 | — |
| Interest income | (0.05) | (0.04) | (0.03) |
| Net foreign currency exchange (gain) loss | — | 0.01 | (0.01) |
| (Loss) income from continuing operations before income taxes | (0.21) | 0.64 | 1.07 |
| Provision for income taxes | 0.26 | 0.53 | 0.27 |
| (Loss) income from continuing operations | (0.47) | 0.11 | 0.80 |
| Discontinued operations, net of tax | 0.02 | 0.02 | 0.02 |
| Net (loss) income | (0.45)% | 0.13% | 0.82% |

Net Sales

Our consolidated net sales were \$21.4 billion in fiscal 2007, an increase of 4.7% when compared to fiscal 2006. On a regional basis, during fiscal 2007, net sales in the Americas increased by 5.3% over fiscal 2006 and increased by 4.1% in Europe (an increase of 1.5% on a euro basis). Our sales performance in the Americas is primarily due to stronger sales to direct marketers and retailers compared to the prior year somewhat offset by declining average selling prices of many of the products we sell. The increase in European sales in fiscal 2007 is primarily the result of the improved IT demand experienced in the second semester of fiscal 2007 and improved stability in our European operations partially offset by much lower demand in Western Europe during the first semester of fiscal 2007 (particularly in the second quarter).

Our consolidated net sales were approximately \$20.5 billion during fiscal 2006, an increase of 3.8% when compared to fiscal 2005. On a regional basis, during fiscal 2006, net sales in the Americas increased by 11.6% over fiscal 2005 and decreased by 2.0% in EMEA (decrease of 0.6% on a euro basis). Our performance in the Americas was primarily due to reasons similar to those described above regarding our fiscal 2007 sales performance. Our performance in Europe can be attributed to a combination of factors, including somewhat weaker demand conditions in certain countries, competitive pricing pressures resulting in declining average selling prices and, most notably, the diverted focus of our management team in the region.

Gross Profit

Gross profit as a percentage of net sales ("gross margin") during fiscal 2007 was 4.70%, a decrease from 4.99% in fiscal 2006. The decrease in gross margin is primarily attributable to the more

challenging pricing environment in Europe, particularly in the second quarter of fiscal 2007 and the internal distractions of management related to the final phases of our comprehensive IT systems upgrade and harmonization project and the implementation of the restructuring program in Europe, as discussed above. Since the completion of these initiatives during the third quarter of fiscal 2007, we have seen our European operations begin to stabilize and gross margins in the region improve sequentially during the third and fourth quarters of fiscal 2007. However, we continue to remain cautiously optimistic as the competitive environment and changes in general economic conditions within the markets in which we conduct business may hinder our ability to maintain and/or continue to improve gross margin from its current level.

Gross margin during fiscal 2006 was 4.99%, a decrease from 5.39% in fiscal 2005. The decrease in gross margin was primarily attributable to the highly competitive pricing environment and operational challenges in our European operations, as discussed above, and to a much lesser extent, changes in customer and product mix in both Europe and the Americas.

Operating Expenses

Selling, general and administrative expenses ("SG&A")

SG&A as a percentage of net sales decreased to 3.98% in fiscal 2007, compared to 4.04% in fiscal 2006. The decrease in SG&A as a percentage of net sales in fiscal 2007 is the result of improvements in productivity, particularly in Europe, where we are realizing the benefits associated with our restructuring efforts.

In absolute dollars, worldwide SG&A increased by \$22.8 million in fiscal 2007 compared to fiscal 2006. The increase in SG&A in fiscal 2007 is primarily attributable to an increase in credit costs in both the Americas and Europe due to higher than anticipated bankruptcies and other credit losses, increased labor costs in the Americas, a stronger euro versus the U.S. dollar in fiscal 2007 compared to fiscal 2006, and an additional \$8.0 million of compensation expense related to the adoption of SFAS No. 123R in fiscal 2007. These increases were offset in part by the productivity improvements and benefits realized in Europe from the restructuring program, which we completed during the third fiscal quarter of 2007. SG&A includes external consulting costs related to the European restructuring program of \$8.6 million and \$9.6 million for fiscal 2007 and 2006, respectively.

SG&A as a percentage of net sales decreased to 4.04% in fiscal 2006, compared to 4.22% in fiscal 2005. The decrease in SG&A as a percentage of net sales in fiscal 2006 was the result of continuing cost savings initiatives and improvements in productivity, particularly in Europe, where we began to realize the benefits associated with our restructuring efforts. Also contributing to our decrease in SG&A was a reduction in credit costs due to favorable credit experience and the positive resolution of contingencies associated with certain customer accounts.

In absolute dollars, worldwide SG&A decreased by \$3.9 million in fiscal 2006 compared to fiscal 2005. The decrease in fiscal 2006 was primarily due to the benefits realized from the restructuring program and the decrease in credit costs, partially offset by \$9.6 million of external consulting costs incurred related to our European restructuring program, an increase in labor costs in the Americas to support the additional sales and, to a lesser extent, a stronger U.S. dollar versus the euro in fiscal 2006 compared to fiscal 2005.

Goodwill Impairment

As discussed earlier in this MD&A, due to certain indicators of impairment within our European reporting unit, the Company performed an impairment test for goodwill as of July 31, 2006. This testing included the determination of the European reporting unit's fair value using market multiples and discounted cash flows modeling. The Company's reduced earnings and cash flow forecast for our European region resulted in the Company determining that a goodwill impairment charge was necessary. As of July 31, 2006, the Company recorded a \$136.1 million non-cash charge for the goodwill impairment in Europe.

Restructuring Charges

As discussed earlier in this MD&A, in May 2005, we announced a formal restructuring program to better align the European operating cost structure with the current business environment. As of October 31, 2006, the initiatives related to the European restructuring program had been completed. During fiscal 2007, we incurred \$23.8 million related to the restructuring program, comprised of \$20.0 million for workforce reductions and \$3.8 million for facility costs. In total, from inception through completion of the program, we incurred \$54.7 million related to the restructuring program, comprised of \$38.9 million for workforce reductions and \$15.8 million for facility costs.

Management's Discussion and Analysis of Financial Condition and Results of Operations

continued

Interest Expense, Discount on Sale of Accounts Receivable, Interest Income, Foreign Currency Exchange Gains/Losses

Interest expense increased 22.5% to \$38.5 million in fiscal 2007 compared to \$31.4 million in fiscal 2006. The increase in interest expense in fiscal 2007 is primarily attributable to the repurchase of the \$290.0 million convertible subordinated debentures in the fourth quarter of fiscal 2006 using revolving credit facilities, which have higher short-term borrowing rates. In addition, average short-term interest rates increased in comparison to the prior fiscal year, resulting in an increase in interest expense in fiscal 2007 compared to fiscal 2006.

Interest expense increased 10.4% to \$31.4 million in fiscal 2006 compared to \$28.5 million in fiscal 2005. The increase in interest expense during fiscal 2006 was primarily due to additional working capital requirements resulting from higher sales volume and an increase in our average short-term borrowing rate compared to the prior fiscal year.

Discount on the sale of accounts receivable totaled \$12.5 million and \$5.5 million, respectively, in fiscal 2007 and 2006. The discount is associated with the accounts receivable purchase facility agreements executed in fiscal 2006 (see further discussion below in this MD&A and in Note 4 of Notes to Consolidated Financial Statements). The increase in the discount on sale of accounts receivable from fiscal 2006 to fiscal 2007 reflects the fact that the Company began selling accounts receivable under the program in the second quarter of fiscal 2006 which resulted in an increase in the average amount of accounts receivables sold under the programs and an increase in the discount rates charged in fiscal 2007 compared to fiscal 2006.

Interest income increased 31.5% to \$9.8 million in fiscal 2007 compared to \$7.4 million in fiscal 2006. The increase in interest income during fiscal 2007 compared to fiscal 2006 is primarily attributable to higher interest rates earned on short-term cash investments and higher average investment balances compared to the prior fiscal year. Interest income increased 32.5% to \$7.4 million in fiscal 2006 from \$5.6 million in fiscal 2005. The increase in interest income during fiscal 2006 compared to fiscal 2005 was primarily attributable to higher interest rates earned on short-term cash investments compared to the prior fiscal year.

We realized a net foreign currency exchange gain of \$0.1 million in fiscal 2007 compared to a net foreign currency exchange loss of \$1.8 million during fiscal 2006 and a net foreign currency exchange gain of \$3.0 million in fiscal 2005. We recognize net foreign currency exchange gains and losses primarily due to the

fluctuation in the value of the U.S. dollar versus the euro, and to a lesser extent, versus other currencies. It continues to be our goal to minimize foreign currency exchange gains and losses through an effective hedging program. Our hedging policy prohibits speculative foreign currency exchange transactions.

Provision for Income Taxes

Our effective tax rate for continuing operations was (122.2)% in fiscal 2007 and 82.6% in fiscal 2006. The change in the effective tax rate during fiscal 2007 compared to fiscal 2006 is primarily the result of the previously discussed goodwill impairment in Europe of \$136.1 million, which is non-deductible for tax purposes, and an increase in net operating losses in certain tax jurisdictions for which no tax benefit was recognized. Additionally, we recorded an increase in the deferred tax valuation allowance related to certain jurisdictions in Europe of \$8.4 million and \$56.0 million in fiscal years 2007 and 2006, respectively, related to net operating losses recorded in previous years. On an absolute dollar basis, the provision for income taxes decreased 49.1% to \$55.5 million in fiscal 2007 as compared to \$109.0 million in fiscal 2006 primarily as a result of the decrease in the adjustment to the deferred tax asset valuation allowance.

While we believe our restructuring efforts will improve the operating performance within our European operations, we determined the respective increases in the valuation allowances on deferred tax assets in fiscal 2007 and 2006 to be appropriate due to cumulative losses realized within the respective fiscal years, after considering the effect of implementing prudent and feasible tax planning strategies. To the extent we generate future consistent taxable income within those operations currently requiring the valuation allowance, we may reduce the valuation allowance on the related deferred tax assets, thereby reducing tax expense and increasing net income in the same period. The underlying net operating loss carryforwards remain available to offset future taxable income in the specific jurisdictions requiring the valuation allowance, subject to applicable tax laws and regulations.

Our effective tax rate for continuing operations was 82.6% in fiscal 2006 and 24.6% in fiscal 2005. The increase in the effective tax rate during fiscal 2006 compared to fiscal 2005 is primarily the result of the previously mentioned \$56.0 million increase in the valuation allowance on deferred tax assets. On an absolute dollar basis, the provision for income taxes increased 109.5% to \$109.0 million in fiscal 2006 as compared to \$52.0 million in fiscal 2005 primarily as a result of the increase in the deferred tax valuation allowance.

The effective tax rate differed from the U.S. federal statutory rate of 35% during these periods primarily for the reasons discussed above, net operating losses in certain tax jurisdictions for which no tax benefit was recognized and tax rate benefits of earnings from operations in certain lower-tax jurisdictions throughout the world for which no U.S. taxes have been provided because such earnings are planned to be reinvested indefinitely outside the U.S.

The overall effective tax rate is dependent upon the geographic distribution of our worldwide earnings or losses and changes in tax laws or interpretations of these laws in our operating jurisdictions. We regularly monitor the assumptions used in estimating our annual effective tax rate and adjust our estimates accordingly. If actual results differ from our estimates, future income tax expense could be materially affected.

Our future effective tax rates could be adversely affected by lower earnings than anticipated in countries with lower statutory rates, changes in the relative mix of taxable income and taxable loss jurisdictions, changes in the valuation of our deferred tax assets or liabilities or changes in tax laws or interpretations thereof. In addition, our income tax returns are subject to continuous examination by the Internal Revenue Service and other tax authorities. We regularly assess the likelihood of adverse outcomes from these examinations to determine the adequacy of our provision for income taxes. At January 31, 2007, we believe we have appropriately accrued for probable income tax exposures. To the extent we prevail in matters for which accruals have been established or are required to pay amounts in excess of such accruals, our effective tax rate could be materially affected.

Discontinued Operations, Net of Tax

The results of operations and the gain on sale of the Training Business have been reclassified and presented as "discontinued operations, net of tax," within the Consolidated Statement of Operations for all periods presented. For fiscal 2007, we realized income from discontinued operations, net of tax, of \$3.9 million, comprised of a \$3.8 million gain, net of tax, on the sale of the Training Business and \$0.1 million of income from operations of the Training Business prior to the sale in March 2006. We realized \$3.6 million and \$2.8 million of income from discontinued operations, net of tax, in fiscal 2006 and 2005, respectively.

Impact of Inflation

For the fiscal years ended January 31, 2007, 2006 and 2005, we do not believe that inflation had a material impact on our consolidated operations or on our financial position.

Quarterly Data—Seasonality

Our quarterly operating results have fluctuated significantly in the past and will likely continue to do so in the future as a result of currency fluctuations and seasonal variations in the demand for the products and services we offer. Narrow operating margins may magnify the impact of these factors on our operating results. Recent historical seasonal variations have included a reduction of demand in Europe during our second and third fiscal quarters followed by an increase in European demand during our fiscal fourth quarter. Given that a significant portion of our revenues are derived from Europe, the worldwide results closely follow the seasonality trends in Europe. Additionally, the life cycles of major products, as well as the impact of future acquisitions and dispositions, may also materially impact our business, financial condition, or results of operations. See Note 15 of Notes to Consolidated Financial Statements for further information regarding our quarterly results.

Liquidity and Capital Resources

Our discussion of liquidity and capital resources includes an analysis of our cash flows and capital structure, which includes both continuing and discontinued operations for all periods presented. The absence of cash flows from discontinued operations is not expected to affect the Company's future liquidity.

The following table summarizes Tech Data's Consolidated Statement of Cash Flows for the fiscal years ended January 31, 2007, 2006 and 2005:

| | Years ended January 31, | | |
|------------------------------------------------------------------------|-------------------------|-------------|------------|
| | 2007 | 2006 | 2005 |
| | (In thousands) | | |
| Net cash (used in) provided by: | | | |
| Operating activities | \$ (13,988) | \$ 257,439 | \$ 106,945 |
| Investing activities | (23,666) | (51,583) | (38,645) |
| Financing activities | 121,753 | (235,438) | 12,200 |
| Effect of exchange rate changes on cash and cash equivalents | 24,242 | (8,809) | 5,755 |
| Net increase (decrease) in cash and cash equivalents | \$ 108,341 | \$ (38,391) | \$ 86,255 |

Net cash used in operating activities was \$14.0 million for fiscal 2007 compared to \$257.4 million cash provided by operations in fiscal 2006. The \$14.0 million cash used in operations in fiscal 2007 was due primarily to the timing of cash received from customers and the timing of payments to vendors. In addition, our

Management's Discussion and Analysis of Financial Condition and Results of Operations

continued

operating cash flows in fiscal 2007 were influenced by higher accounts receivable balances due to an acceleration of revenue growth in Europe in the fourth quarter of fiscal 2007 compared to the same period of fiscal 2006. We have several key metrics we use to manage our working capital, including our cash conversion cycle (also referred to as "net cash days") and owned inventory levels. Our net cash days are defined as days of sales outstanding in accounts receivable ("DSO") plus days of supply on hand in inventory ("DOS"), less days of purchases outstanding in accounts payable ("DPO"). Owned inventory is calculated as the difference between our inventory and accounts payable balances divided into the inventory balance. Our net cash days remained relatively consistent at 30 days at the end of fiscal 2007 compared to 29 days at the end of fiscal 2006. Our owned inventory level (the percentage of inventory not financed by vendors) was a negative 29% at the end of fiscal 2007, meaning our accounts payable balances exceeded our inventory balances by 29%. This compares to negative owned inventory of 25% at the end of fiscal 2006.

Net cash provided by operating activities increased to \$257.4 million in fiscal 2006 as compared to \$106.9 million in fiscal 2005 due primarily to the timing of payments to vendors. Our net cash days improved by approximately 6% to 29 days at the end of fiscal 2006 compared to 31 days at the end of fiscal 2005, resulting from improved management of our worldwide cash conversion cycle. Our owned inventory level (the percentage of inventory not financed by vendors) was a negative 25% at the end of fiscal 2006. This compared to negative owned inventory of 18% at the end of fiscal 2005.

The following table presents the components of Tech Data's cash conversion cycle, in days, as of January 31, 2007, 2006 and 2005:

| | As of January 31, | | |
|----------------------------------------|-------------------|------|------|
| | 2007 | 2006 | 2005 |
| Days of sales outstanding. | 37 | 36 | 36 |
| Days of supply in inventory. | 24 | 26 | 25 |
| Days of purchases outstanding. | (31) | (33) | (30) |
| Cash conversion cycle (days). | 30 | 29 | 31 |

Net cash used in investing activities of \$23.7 million during fiscal 2007 was primarily due to \$43.7 million of expenditures for the continuing expansion and upgrading of our IT systems, office facilities and equipment for our logistics centers, offset by \$16.5 million proceeds received from the sale of the Training Business and \$3.6 million of proceeds from the sale of property and equipment.

We expect to make total capital expenditures of approximately \$40.0 million during fiscal 2008 for equipment and machinery in our logistics centers, office facilities and IT systems.

Net cash used in investing activities of \$51.6 million during fiscal 2006 was primarily attributable to the continuing investment related to the expansion and upgrading of our IT systems, office facilities and equipment for our logistics centers.

Net cash provided by financing activities of \$121.8 million during fiscal 2007 is primarily the result of net proceeds of \$342.6 million received from the issuance of \$350.0 million of convertible debentures in December 2006, \$25.2 million in proceeds received for the reissuance of treasury stock related to exercises of equity-based awards and purchases made through our Employee Stock Purchase Plan ("ESPP"), offset by \$166.4 million of net repayments on our revolving credit lines and long-term debt and the use of \$80.1 million for the repurchase of 2,222,720 shares of our common stock.

Net cash used in financing activities of \$235.4 million during fiscal 2006 is primarily the result of the repayment of our \$290.0 million convertible subordinated debentures and \$127.0 million for the repurchase of 3,443,131 shares of our common stock, partially offset by net borrowings on our revolving credit lines of \$166.5 million and \$16.7 million in proceeds received for the issuance of common stock related to our stock option exercises and purchases made through our ESPP.

As of January 31, 2007, we maintained a \$400.0 million Receivables Securitization Program with a syndicate of banks. We pay interest (rate of 5.70% at January 31, 2007) on the Receivables Securitization Program at designated commercial paper rates plus an agreed-upon margin. Additionally, we maintained a \$250.0 million Multi-currency Revolving Credit Facility with a syndicate of banks that expires in March 2010. We pay interest (rate of 6.32% at January 31, 2007) under this facility at the applicable LIBOR rate plus a margin based on our credit ratings. In addition to these credit facilities, we maintained lines of credit and overdraft facilities totaling approximately \$787.4 million at January 31, 2007 (average interest rate on the borrowing was 4.37% at January 31, 2007).

The total capacity of the aforementioned credit facilities was approximately \$1.4 billion, of which \$77.2 million was outstanding at January 31, 2007. Our credit agreements contain limitations on the amounts of annual dividends and repurchases of common stock. Additionally, the credit agreements require compliance with certain warranties and covenants. The financial ratio covenants

contained within the credit agreements include a debt to capitalization ratio, an interest to EBITDA (earnings before interest, taxes, depreciation and amortization) ratio, and a tangible net worth requirement. At January 31, 2007, we were in compliance with all such covenants. The ability to draw funds under these credit facilities is dependent upon sufficient collateral (in the case of the Receivables Securitization Program) and meeting the aforementioned financial covenants, which may limit our ability to draw the full amount of these facilities. As of January 31, 2007, the maximum amount that could be borrowed under these facilities, in consideration of the availability of collateral and the financial covenants, was approximately \$750.1 million.

On March 20, 2007, we amended the \$250.0 million Multi-currency Revolving Credit Facility, the Receivables Securitization Program and the synthetic lease facility we have with a group of financial institutions (the "Synthetic Lease"), further discussed below. The primary purpose of these amendments was to obtain more favorable interest rates, lease rates and facility fees. In addition, the maturity date of the Multi-currency Revolving Credit Facility was extended to March 20, 2012.

At January 31, 2007, we had issued standby letters of credit of \$25.5 million. These letters of credit typically act as a guarantee of payment to certain third parties in accordance with specified terms and conditions. The issuance of these letters of credit reduces our available capacity under the above mentioned facilities by the same amount.

In December 2006, we issued \$350.0 million of convertible senior debentures due 2026. The debentures bear interest at 2.75% per year. We will pay interest on the debentures on June 15 and December 15 of each year, beginning on June 15, 2007. In addition, beginning with the period commencing on December 20, 2011 and ending on June 15, 2012 and for each six-month period thereafter, we will pay contingent interest on the interest payment date for the applicable interest period, if the market price of the debentures exceeds specified levels. The convertible senior debentures are convertible into our common stock and cash anytime after June 15, 2026, or i) if the market price of the common stock, as defined, exceeds 135% of the conversion price per share of common stock, or ii) if the Company calls the debentures for redemption, or iii) upon the occurrence of certain corporate transactions, as defined. Holders have the right to convert the debentures into 18.4310 shares per \$1,000 principal amount of debentures, equivalent to a conversion price of approximately \$54.26 per share. Upon conversion, we will deliver cash equal to

the lesser of the aggregate principal amount of the debentures to be converted and our total conversion obligation and shares of our common stock in respect of the remainder, if any, of our conversion obligation. Holders have the option to require us to repurchase the debentures in cash on any of the fifth, tenth or fifteenth anniversary dates from the issue date at 100% of the principal amount plus accrued interest to the repurchase date. The debentures are redeemable in whole or in part for cash at our option at any time on or after December 20, 2011. Additionally, the debentures are senior, unsecured obligations and rank equally in right of payment with all of our other unsecured and unsubordinated indebtedness. The debentures are effectively subordinated to all of our existing and future secured debt and are structurally subordinated to the indebtedness and other liabilities of our subsidiaries. The proceeds from the offering were used to pay off short-term debt and for other general corporate purposes.

In December 2004, we completed an Exchange Offer whereby approximately 99.3% of our then outstanding \$290.0 million convertible subordinated debentures (the "Old Notes") were exchanged for new debentures (the "New Notes"). The New Notes had substantially identical terms to the previously outstanding Old Notes. In accordance with the debenture agreement, on December 15, 2005, the debenture holders of the New Notes exercised their option to require the Company to repurchase the debentures. We repurchased the New Notes using cash and existing credit lines. In addition, prior to January 31, 2006, we also repurchased the Old Notes using cash and existing credit lines.

In May 2006, we withdrew our \$500.0 million universal shelf registration statement with the Securities and Exchange Commission as we made the decision not to issue debt or equity securities through this registration statement.

In fiscal 2006, our Board of Directors authorized a share repurchase program of up to \$200.0 million of our common stock. Share repurchases under the program were made on the open market through block trades or otherwise. The number of shares purchased and the timing of the purchases was based on working capital requirements, general business conditions and other factors, including alternative investment opportunities. Shares we repurchase are held in treasury for general corporate purposes, including issuances under employee equity incentive plans. During fiscal 2007, we repurchased 2,222,720 shares comprised of 2,220,132 shares purchased in conjunction with our share repurchase program and 2,588 shares purchased outside of the stock repurchase program, at an average of \$36.03 per share, for a total cost,

Management's Discussion and Analysis of Financial Condition and Results of Operations

continued

including expenses, of \$80.1 million. As of October 31, 2006, the share repurchase program authorized in fiscal 2006 was completed.

Our debt to capital ratio was 21% at January 31, 2007. We believe that our existing sources of liquidity, including cash resources and cash provided by operating activities, supplemented as necessary with funds available under our credit arrangements, will provide sufficient resources to meet our present and future working capital and cash requirements for at least the next 12 months. Changes in our credit rating or other market factors may increase our interest expense or other costs of capital, or capital may not be available to us on acceptable terms to fund our working capital needs. The Company will continue to need additional financing, including debt financing. The inability to obtain such sources of capital could have an adverse effect on the Company's business. The Company's credit facilities contain various financial and other covenants that may limit the Company's ability to borrow or limit the Company's flexibility in responding to business conditions.

Contractual Obligations

As of January 31, 2007, future payments of long-term debt and amounts due under future minimum lease payments, including minimum commitments under IT outsourcing agreements, are as follows (in thousands):

| | Operating leases | Capital leases | Long-term debt | Total |
|-----------------------------------------|------------------|----------------|----------------|------------|
| Fiscal year: | | | | |
| 2008..... | \$ 65,285 | \$ 3,381 | \$ — | \$ 68,666 |
| 2009..... | 55,367 | 1,974 | — | 57,341 |
| 2010..... | 43,339 | 1,809 | — | 45,148 |
| 2011..... | 33,459 | 1,809 | — | 35,268 |
| 2012..... | 18,996 | 1,809 | 350,000 | 370,805 |
| Thereafter | 66,843 | 9,110 | — | 75,953 |
| Total payments..... | 283,289 | 19,892 | 350,000 | 653,181 |
| Less amounts representing interest..... | — | (3,912) | — | (3,912) |
| Total principal payments..... | \$ 283,289 | \$ 15,980 | \$ 350,000 | \$ 649,269 |

Fair value renewal and purchase options and escalation clauses exist for a substantial portion of the operating leases included above. Purchase orders for the purchase of inventory and other goods and services are not included in the table above. We are not able to determine the aggregate amount of such purchase

orders that represent contractual obligations, as purchase orders typically represent authorizations to purchase rather than binding agreements. For the purposes of this table, contractual obligations for purchase of goods or services are defined as agreements that are enforceable and legally binding on Tech Data and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Our purchase orders are based on our current demand expectations and are fulfilled by our vendors within short time horizons. We do not have significant non-cancelable agreements for the purchase of inventory or other goods specifying minimum quantities or set prices that exceed our expected requirements for the next three months. We also enter into contracts for outsourced services; however, the obligations under these contracts were not significant and the contracts generally contain clauses allowing for cancellation without significant penalty.

Off-Balance Sheet Arrangements

Synthetic Lease Facility

We have a Synthetic Lease facility with a group of financial institutions under which we lease certain logistics centers and office facilities from a third-party lessor. The Synthetic Lease expires in fiscal 2009, at which time we have the following options: renew the lease for an additional five years, purchase the properties at an amount equal to their cost, or remarket the properties. If we elect to remarket the properties, we have guaranteed the lessor a percentage of the cost of each of the properties, in an aggregate amount of approximately \$118.0 million (the "residual value"). At any time during the lease term, we may, at our option purchase up to four of the seven properties, at an amount equal to each property's cost. We pay interest on the Synthetic Lease at LIBOR plus an agreed-upon margin. The Synthetic Lease contains covenants that must be complied with, similar to the covenants described in certain of the credit facilities discussed above and in Note 8 of Notes to Consolidated Financial Statements. The amount funded under the Synthetic Lease (approximately \$133.2 million at January 31, 2007) is treated as debt under the definition of the covenants required under both the Synthetic Lease and the credit facilities. As of January 31, 2007, we were in compliance with all such covenants.

In January 2007, we sold approximately 6 acres of excess land located in Miami, Florida. The sale was executed pursuant to the “excess sale” provisions of the Synthetic Lease agreement and resulted in a gain of \$3.6 million recorded during the quarter ended January 31, 2007. This gain is included within SG&A in our Consolidated Statement of Operations.

The sum of future minimum lease payments under the Synthetic Lease at January 31, 2007 was approximately \$13.5 million. Properties leased under the Synthetic Lease facility total 2.5 million square feet of space, with land totaling approximately 198 acres located in Clearwater and Miami, Florida; Fort Worth, Texas; Fontana, California; Suwanee, Georgia; Swedesboro, New Jersey; and South Bend, Indiana.

The Synthetic Lease has been accounted for as an operating lease. FASB Interpretation (“FIN”) No. 46 requires us to evaluate whether an entity with which we are involved meets the criteria of a variable interest entity (“VIE”) and, if so, whether we are required to consolidate that entity. We have determined that the third-party lessor of this Synthetic Lease facility does not meet the criteria of a VIE and, therefore, is not subject to the consolidation provisions of FIN No. 46.

Trade Receivables Purchase Facility Agreements

We have revolving trade receivables purchase facility agreements (the “Receivables Facilities”) with third-party financial institutions to sell accounts receivable on a non-recourse basis. We use the Receivables Facilities as a source of working capital funding. The Receivables Facilities limit the amount of purchased accounts receivable the financial institutions may hold to \$356.1 million at January 31, 2007, based on currency exchange rates at that date. Under the Receivables Facilities, we may sell certain accounts receivable (the “Receivables”) in exchange for cash less a discount based on LIBOR plus a margin. Such transactions have been accounted for as a true sale, in accordance with SFAS No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities.” The Receivables Facilities, which have various expiration dates, require that we continue to service, administer and collect the sold accounts receivable.

During fiscal 2007 and 2006, we received gross proceeds of \$1.3 billion and \$796.1 million, respectively, from the sale of the Receivables and recognized related discounts totaling \$12.5 million and \$5.5 million, respectively. The proceeds, net of the discount incurred, are reflected in the Consolidated Statement of Cash Flows in operating activities within cash received from customers

and the change in accounts receivable. Prior to the second quarter of fiscal 2006, the Company did not utilize the Receivables Facilities as a source of funding.

Guarantees

As is customary in the IT industry, to encourage certain customers to purchase product from us, we have arrangements with certain finance companies that provide inventory-financing facilities for our customers. In conjunction with certain of these arrangements, we have agreements with the finance companies that would require us to repurchase certain inventory, which might be repossessed from the customers by the finance companies. Due to various reasons, including among other items, the lack of information regarding the amount of saleable inventory purchased from us still on hand with the customer at any point in time, our repurchase obligations relating to inventory cannot be reasonably estimated. Repurchases of inventory by us under these arrangements have been insignificant to date. We also provide additional financial guarantees to finance companies on behalf of certain customers. The majority of these guarantees are for an indefinite period of time, where we would be required to perform if the customer is in default with the finance company. The Company reviews the underlying credit for these guarantees on at least an annual basis. As of January 31, 2007 and 2006, the aggregate amount of guarantees under these arrangements totaled approximately \$11.5 million and \$7.0 million, respectively, of which approximately \$7.0 million and \$2.9 million, respectively, was outstanding. We believe that, based on historical experience, the likelihood of a material loss pursuant to both of the above guarantees is remote.

Additionally, in connection with the sale of the Training Business discussed in Note 3—Discontinued Operations, we continue to negotiate the assignment of several of the related facility lease obligations with the lessors of such properties. To the extent the lessors are unwilling to agree to a direct lease arrangement with the purchaser, we will remain liable in the event of default by the purchaser of the Training Business. The majority of these lease obligations expire at various dates over the next three years and would require that we make all required payments under the lease agreements in the event of default by the purchaser. The maximum potential amount of future payments (undiscounted) that we could be required to make under the guarantees is approximately \$8.2 million as of January 31, 2007. We believe that the likelihood of a material loss pursuant to these guarantees is remote.

Management's Discussion and Analysis of Financial Condition and Results of Operations

continued

We also provide residual value guarantees related to our Synthetic Lease which have been recorded at the estimated fair value of the residual value guarantees.

Asset Management

We manage our 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 we add new product lines and when appropriate, we make large purchases, including cash purchases from manufacturers and publishers when the terms of such purchases are considered advantageous. Our contracts with most of our 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, we generally receive a credit for the impact on products in inventory and we have the right to rotate a certain percentage of purchases, subject to certain limitations. Historically, price protection and stock rotation privileges as well as our inventory management procedures have helped to reduce the risk of loss of inventory value.

We attempt to control losses on credit sales by closely monitoring customers' creditworthiness through our IT systems, which contain detailed information on each customer's payment history and other relevant information. We have obtained credit insurance that insures a percentage of the credit extended by us to certain customers against possible loss. Customers who qualify for credit terms are typically granted net 30-day payment terms in the Americas. While credit terms in Europe vary by country, the vast majority of customers are granted credit terms ranging from 30–60 days. We also sell products on a prepay, credit card and cash on delivery basis. In addition, certain of the Company's vendors subsidize floorplan financing arrangements for the benefit of our customers.

Qualitative and Quantitative Disclosures About Market Risk

As a large global organization, we face exposure to adverse movements in foreign currency exchange rates. These exposures may change over time as business practices evolve and could have a material impact on our financial results in the future. In the normal course of business, we employ established policies and procedures to manage our exposure to fluctuations in the value of foreign currencies using a variety of financial instruments. It is our policy to utilize financial instruments to reduce risks where internal netting cannot be effectively employed. Additionally, we do not enter into foreign currency derivative instruments for speculative or trading purposes. Our primary exposure relates to transactions in Europe, where the currency collected from customers can be different from the currency used to purchase the product. Our foreign currency risk management objective is to protect our earnings and cash flows from the adverse impact of exchange rate changes.

Foreign exchange risk is managed by using foreign currency forward, option and swap contracts to hedge both intercompany and third party a) loans, b) accounts receivable and c) accounts payable.

We have elected not to designate our foreign currency contracts as hedging instruments, and they are therefore marked-to-market with changes in their value recorded in the Consolidated Statement of Operations each period. During fiscal 2007 and 2006, the underlying exposures are denominated primarily in the following currencies: U.S. dollar, British pound, Canadian dollar, Czech koruna, Danish krone, euro, Norwegian krone, Polish zloty, Swedish krona and Swiss franc.

The following table provides information about our foreign currency derivative financial instruments outstanding as of January 31, 2007 and 2006. The information is provided in U.S. dollar equivalents. For the foreign currency contracts, the table presents the notional amount (at contractual exchange rates) and the weighted average contractual foreign currency exchange rates. These contracts are generally for durations of 90 days or less.

Foreign Currency Contracts
Notional Amounts by Expected Maturity
Average Forward Foreign Currency
Exchange Rate

| | January 31, 2007 | | | January 31, 2006 | | |
|----------------------------------------------------------------------|--------------------|--------------------------------------|--------------------------------|--------------------|--------------------------------------|--------------------------------|
| | Notional amount | Weighted average contract rate | Estimated fair market value | Notional amount | Weighted average contract rate | Estimated fair market value |
| (Dollar amounts in millions, except weighted average contract rates) | | | | | | |
| United States Dollar Functional Currency | | | | | | |
| Forward Contracts—Purchase United States Dollar | | | | | | |
| Euro | \$128.14 | 1.297 | \$(0.42) | \$ 33.63 | 1.215 | \$(0.09) |
| Swiss Franc | 5.03 | 1.240 | 0.01 | 3.17 | 1.276 | (0.01) |
| Norwegian Krone | 1.55 | 6.373 | — | 2.20 | 6.629 | — |
| Danish Krone | 0.88 | 5.747 | — | 5.71 | 6.161 | (0.03) |
| British Pound | 36.10 | 1.953 | (0.17) | 42.08 | 1.768 | (0.36) |
| Swedish Krona | 0.75 | 7.003 | — | 2.63 | 7.636 | (0.02) |
| Miscellaneous other currencies | — | — | — | 0.65 | — | — |
| Forward Contracts—Sell United States Dollar | | | | | | |
| Euro | \$ 19.90 | 1.292 | \$ 0.13 | \$ 21.60 | 1.199 | \$ 0.46 |
| British Pound | 12.22 | 1.966 | (0.02) | — | — | — |
| Miscellaneous other currencies | 3.73 | — | 0.02 | 1.26 | — | 0.01 |
| Euro Functional Currency | | | | | | |
| Forward Contracts—Purchase Euro | | | | | | |
| United States Dollar | \$ 51.10 | 1.311 | \$(0.32) | \$ 118.70 | 1.217 | \$ 0.13 |
| Czech Koruna | 21.42 | 27.780 | 0.01 | 16.09 | 28.775 | (0.20) |
| Swedish Krona | 117.64 | 9.073 | (0.03) | 148.98 | 9.234 | 0.05 |
| Swiss Franc | 32.20 | 1.621 | (0.02) | 47.12 | 1.554 | (0.08) |
| Danish Krone | — | — | — | 21.60 | 7.463 | — |
| Canadian Dollar | 135.58 | 1.532 | (0.04) | 35.68 | 1.394 | (0.17) |
| Polish Zloty | 41.56 | 3.934 | (0.05) | 26.39 | 3.832 | (0.06) |
| Norwegian Krone | 7.91 | 8.253 | (0.01) | 7.60 | 8.131 | (0.04) |
| Israeli Shekel | 5.16 | 5.501 | — | — | — | — |
| Forward Contracts—Sell Euro | | | | | | |
| United States Dollar | \$294.66 | 1.298 | \$(0.93) | \$ 185.39 | 1.215 | \$(0.48) |
| Swedish Krona | — | — | — | 5.14 | 9.300 | 0.03 |
| Forward Contracts—Purchase Swedish Krona | | | | | | |
| Norwegian Krone | \$ — | — | \$ — | \$ 1.72 | 1.149 | \$ 0.01 |
| Forward Contracts—Sell Swedish Krona | | | | | | |
| United States Dollar | \$ — | — | \$ — | \$ 3.94 | 7.668 | \$(0.04) |

Management's Discussion and Analysis of Financial Condition and Results of Operations

continued

| | January 31, 2007 | | | January 31, 2006 | | |
|----------------------------------------------------------------------|------------------|--------------------------------|-----------------------------|------------------|--------------------------------|-----------------------------|
| | Notional amount | Weighted average contract rate | Estimated fair market value | Notional amount | Weighted average contract rate | Estimated fair market value |
| (Dollar amounts in millions, except weighted average contract rates) | | | | | | |
| Other Miscellaneous Functional Currencies | | | | | | |
| Forward Contracts—Purchase United States Dollar | | | | | | |
| Canadian Dollar | \$11.25 | 1.171 | \$ 0.05 | \$ 9.45 | 1.149 | \$(0.08) |
| Swiss Franc | 1.00 | 1.246 | — | 1.10 | 1.268 | 0.01 |
| Chilean Peso | 5.47 | 541.890 | — | 5.80 | 527.991 | (0.05) |
| Polish Zloty | 21.46 | 2.943 | 0.16 | 9.28 | 3.183 | (0.13) |
| Czech Koruna | 3.60 | 21.712 | — | 1.69 | 23.381 | (0.01) |
| Swedish Krona | 2.50 | 6.883 | — | 3.90 | 7.677 | (0.05) |
| Miscellaneous other currencies | 1.00 | — | — | — | — | — |
| Forward Contracts—Purchase Euro | | | | | | |
| Swedish Krona | \$ 8.45 | 9.036 | \$ — | \$ — | — | \$ — |
| Swiss Franc | 11.12 | 1.603 | 0.07 | 7.43 | 1.547 | 0.02 |
| Polish Zloty | 13.16 | 3.865 | 0.04 | \$13.56 | 3.840 | (0.06) |
| Miscellaneous other currencies | — | — | — | 0.65 | — | — |
| Forward Contracts—Sell Euro | | | | | | |
| Swiss Franc | \$ 2.65 | 1.615 | \$ — | \$ — | — | \$ — |
| Polish Zloty | 1.56 | 3.870 | — | 17.31 | 3.839 | 0.07 |
| Swedish Krona | 2.87 | 9.086 | — | 5.11 | 9.300 | 0.03 |
| Forward Contracts—Sell United States Dollar | | | | | | |
| Swiss Franc | \$ — | — | \$ — | \$ 0.56 | 1.273 | \$ — |
| Polish Zloty | 5.25 | 2.990 | (0.01) | 8.70 | 3.146 | 0.02 |
| Swedish Krona | 4.19 | 6.948 | — | — | — | — |
| Forward Contracts—Sell Norwegian Krone | | | | | | |
| Swedish Krona | \$ 1.55 | 1.095 | \$(0.02) | \$ 2.21 | 1.150 | \$ 0.01 |
| Forward Contracts—Sell Danish Krone | | | | | | |
| Swedish Krona | \$30.46 | 1.212 | \$(0.05) | \$ — | — | \$ — |

We are exposed to changes in interest rates primarily as a result of our short- and long-term debt used to maintain liquidity and to finance working capital, capital expenditures and business expansion. Interest rate risk is also present in the forward foreign currency contracts hedging intercompany and third-party loans. Our interest rate risk management objective is to limit the impact of interest rate changes on earnings and cash flows and to minimize overall borrowing costs. To achieve our objective, we use a

combination of fixed and variable rate debt. The nature and amount of our long-term and short-term debt can be expected to vary as a result of future business requirements, market conditions and other factors. As of January 31, 2007 and 2006, approximately 83% and 6%, respectively, of the outstanding debt had fixed interest rates. We utilize various financing instruments, such as receivables securitization, leases, revolving credit facilities and trade receivable purchase facilities, to finance working capital needs.

The following table provides information about our financial instruments that are sensitive to changes in interest rates. For debt obligations, the table presents principal cash flows and related weighted average interest rates by expected maturity dates. Fair value for these instruments was determined based on third-party valuations. All amounts are stated in U.S. dollar equivalents.

Debt and Interest Rate Contracts as of January 31, 2007
Principal Notional Amount by Expected Maturity

| | January 31, | | | | | Total | Fair market value January 31, 2007 |
|-------------------------------------------------------------|-------------|--------|--------|--------|------------|---------|---------------------------------------------|
| | 2008 | 2009 | 2010 | 2011 | Thereafter | | |
| (Dollar amounts in millions) | | | | | | | |
| United States Dollar Functional Currency | | | | | | | |
| Liabilities | | | | | | | |
| U.S. dollar denominated debt—revolving credit | | | | | | | |
| Fixed rate debt | — | — | — | — | \$350.0 | \$350.0 | \$339.0 |
| Average interest rate | — | — | — | — | 2.75% | | |
| Euro Functional Currency | | | | | | | |
| Liabilities | | | | | | | |
| Euro denominated debt—revolving credit | | | | | | | |
| Variable rate debt | \$ 62.9 | — | — | — | — | \$ 62.9 | \$ 62.9 |
| Average interest rate | 3.78% | — | — | — | — | | |
| Euro denominated long-term debt (including current portion) | | | | | | | |
| Fixed rate debt | \$ 2.4 | \$ 1.1 | \$ 1.0 | \$ 1.0 | \$ 10.5 | \$ 16.0 | \$ 16.0 |
| Average interest rate | 6.15% | 6.15% | 6.15% | 6.15% | 6.15% | | |
| Other Miscellaneous Functional Currencies | | | | | | | |
| Liabilities | | | | | | | |
| Other foreign currencies denominated debt—revolving credit | | | | | | | |
| Variable rate debt | \$ 14.3 | — | — | — | — | \$ 14.3 | \$ 14.3 |
| Average interest rate | 7.25% | — | — | — | — | | |

Debt and Interest Rate Contracts as of January 31, 2006
Principal Notional Amount by Expected Maturity

| | January 31, | | | | | Total | Fair market value January 31, 2006 |
|-------------------------------------------------------------|-------------|--------|--------|--------|------------|---------|---------------------------------------------|
| | 2007 | 2008 | 2009 | 2010 | Thereafter | | |
| (Dollar amounts in millions) | | | | | | | |
| United States Dollar Functional Currency | | | | | | | |
| Liabilities | | | | | | | |
| U.S. dollar denominated debt—revolving credit | | | | | | | |
| Variable rate debt | \$126.6 | — | — | — | — | \$126.6 | \$126.6 |
| Average interest rate | 4.76% | — | — | — | — | | |
| Euro Functional Currency | | | | | | | |
| Liabilities | | | | | | | |
| Euro denominated debt—revolving credit | | | | | | | |
| Variable rate debt | \$ 82.0 | — | — | — | — | \$ 82.0 | \$ 82.0 |
| Average interest rate | 3.13% | — | — | — | — | | |
| Euro denominated long-term debt (including current portion) | | | | | | | |
| Fixed rate debt | \$ 1.6 | \$ 1.7 | \$ 1.0 | \$ 1.0 | \$ 10.7 | \$ 16.0 | \$ 16.0 |
| Average interest rate | 5.94% | 5.94% | 5.94% | 5.94% | 5.94% | | |
| Other Miscellaneous Functional Currencies | | | | | | | |
| Liabilities | | | | | | | |
| Other foreign currencies denominated debt—revolving credit | | | | | | | |
| Variable rate debt | \$ 26.5 | — | — | — | — | \$ 26.5 | \$ 26.5 |
| Average interest rate | 5.72% | — | — | — | — | | |

Management's Discussion and Analysis of Financial Condition and Results of Operations

continued

Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the specified time periods. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

As of the end of the period covered by this report, Tech Data's management, with the participation of the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(c) and 15(d)-15(e) under the Exchange Act), as of January 31, 2007. Based on that evaluation, the Company's CEO and CFO concluded that the Company's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms, and that it is

accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure as of January 31, 2007.

Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Under the supervision and with the participation of management, including our principal executive officer and principal financial officer, we assessed the effectiveness of the Company's internal control over financial reporting as of January 31, 2007. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control—Integrated Framework. Based on our assessment, we believe that, as of January 31, 2007, the Company's internal control over financial reporting was effective based on those criteria.

Management's assessment of the effectiveness of internal control over financial reporting as of January 31, 2007 has been audited by Ernst & Young LLP, the independent registered certified public accounting firm who also audited the Company's consolidated financial statements. Ernst & Young's attestation report on management's assessment of the Company's internal control over financial reporting is included below.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) identified in connection with management's evaluation during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Report of Independent Registered Certified Public Accounting Firm

The Board of Directors and Shareholders of Tech Data Corporation:

We have audited the accompanying consolidated balance sheets of Tech Data Corporation and subsidiaries as of January 31, 2007 and 2006, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended January 31, 2007. 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 in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position

of Tech Data Corporation and subsidiaries at January 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended January 31, 2007, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, effective February 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment*.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Tech Data Corporation's internal control over financial reporting as of January 31, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 28, 2007 expressed an unqualified opinion thereon.

Ernst & Young LLP

Tampa, Florida
March 28, 2007

Report of Independent Registered Certified Public Accounting Firm

The Board of Directors and Shareholders of Tech Data Corporation:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting, that Tech Data Corporation maintained effective internal control over financial reporting as of January 31, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Tech Data Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of

financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Tech Data Corporation maintained effective internal control over financial reporting as of January 31, 2007, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Tech Data Corporation maintained, in all material respects, effective internal control over financial reporting as of January 31, 2007, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Tech Data Corporation as of January 31, 2007 and 2006, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended January 31, 2007 of Tech Data Corporation and our report dated March 28, 2007 expressed an unqualified opinion thereon.

Ernst & Young LLP

Tampa, Florida
March 28, 2007

Consolidated Balance Sheet

| | January 31, | |
|------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|-------------|
| | 2007 | 2006 |
| | (In thousands, except share amounts) | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 265,006 | \$ 156,665 |
| Accounts receivable, net | 2,464,735 | 2,160,138 |
| Inventories | 1,556,008 | 1,527,729 |
| Prepaid expenses and other assets | 122,103 | 138,927 |
| Total current assets | 4,407,852 | 3,983,459 |
| Property and equipment, net | 140,762 | 141,275 |
| Goodwill | 2,966 | 134,327 |
| Other assets, net | 152,284 | 145,573 |
| Total assets | \$4,703,864 | \$4,404,634 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Revolving credit loans | \$ 77,195 | \$ 235,088 |
| Accounts payable | 2,011,203 | 1,917,213 |
| Current portion of long-term debt | 2,376 | 1,605 |
| Accrued expenses and other liabilities | 500,514 | 437,445 |
| Total current liabilities | 2,591,288 | 2,591,351 |
| Long-term debt | 363,604 | 14,378 |
| Other long-term liabilities | 46,252 | 38,598 |
| Total liabilities | 3,001,144 | 2,644,327 |
| Commitments and contingencies (Note 13) | | |
| Shareholders' equity: | | |
| Common stock, par value \$.0015; 200,000,000 shares authorized; 59,239,085 shares issued at January 31, 2007 and 2006 | 89 | 89 |
| Additional paid-in capital | 732,378 | 729,455 |
| Treasury stock, at cost (4,313,103 and 3,048,060 shares at January 31, 2007 and 2006) | (157,628) | (112,601) |
| Retained earnings | 841,402 | 938,383 |
| Accumulated other comprehensive income | 286,479 | 204,981 |
| Total shareholders' equity | 1,702,720 | 1,760,307 |
| Total liabilities and shareholders' equity | \$4,703,864 | \$4,404,634 |

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

Consolidated Statement of Operations

| | Year ended January 31, | | |
|------------------------------------------------------------------------|------------------------------------------|--------------|--------------|
| | 2007 | 2006 | 2005 |
| | (In thousands, except per share amounts) | | |
| Net sales | \$21,440,445 | \$20,482,851 | \$19,730,917 |
| Cost of products sold | 20,433,674 | 19,460,332 | 18,667,184 |
| Gross profit | 1,006,771 | 1,022,519 | 1,063,733 |
| Operating expenses: | | | |
| Selling, general and administrative expenses | 851,097 | 828,278 | 832,178 |
| Goodwill impairment (Note 6) | 136,093 | — | — |
| Restructuring charges (Note 7) | 23,764 | 30,946 | — |
| | 1,010,954 | 859,224 | 832,178 |
| Operating (loss) income | (4,183) | 163,295 | 231,555 |
| Other expense (income): | | | |
| Interest expense | 38,506 | 31,422 | 28,473 |
| Discount on sale of accounts receivable | 12,509 | 5,503 | — |
| Interest income | (9,764) | (7,426) | (5,606) |
| Net foreign currency exchange (gain) loss | (15) | 1,816 | (2,959) |
| | 41,236 | 31,315 | 19,908 |
| (Loss) income from continuing operations before income taxes | (45,419) | 131,980 | 211,647 |
| Provision for income taxes | 55,508 | 109,013 | 52,025 |
| (Loss) income from continuing operations | (100,927) | 22,967 | 159,622 |
| Discontinued operations, net of tax (Note 3) | 3,946 | 3,619 | 2,838 |
| Net (loss) income | \$ (96,981) | \$ 26,586 | \$ 162,460 |
| (Loss) income per common share—basic: | | | |
| Continuing operations | \$ (1.83) | \$ 0.40 | \$ 2.74 |
| Discontinued operations | 0.07 | 0.06 | 0.05 |
| Net (loss) income | \$ (1.76) | \$ 0.46 | \$ 2.79 |
| (Loss) income per common share—diluted: | | | |
| Continuing operations | \$ (1.83) | \$ 0.39 | \$ 2.69 |
| Discontinued operations | 0.07 | 0.06 | 0.05 |
| Net (loss) income | \$ (1.76) | \$ 0.45 | \$ 2.74 |
| Weighted average common shares outstanding: | | | |
| Basic | 55,129 | 57,749 | 58,176 |
| Diluted | 55,129 | 58,414 | 59,193 |

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

Consolidated Statement of Shareholders' Equity

| | Common Stock | | Additional paid-in capital | Treasury stock | Retained earnings | Accumulated other comprehensive income (loss) ^(a) | Total shareholders' equity |
|------------------------------------------------------------------------------------------------------------------------------------------|----------------|-------------|----------------------------------|--------------------|----------------------|--------------------------------------------------------------------------|----------------------------------|
| | Shares | Amount | | | | | |
| | (In thousands) | | | | | | |
| Balance—January 31, 2004 | 57,717 | \$87 | \$686,092 | \$ — | \$749,337 | \$222,973 | \$1,658,489 |
| Issuance of common stock for benefit plans and stock options exercised, including related tax benefit of \$5,738 | 1,267 | 1 | 38,470 | — | — | — | 38,471 |
| Comprehensive income | — | — | — | — | 162,460 | 68,051 | 230,511 |
| Balance—January 31, 2005 | 58,984 | 88 | 724,562 | — | 911,797 | 291,024 | 1,927,471 |
| Issuance of common stock for benefit plans and stock options exercised, including related tax benefit of \$1,460 | 255 | 1 | 8,001 | — | — | — | 8,002 |
| Purchase of treasury stock, at cost | — | — | — | (127,027) | — | — | (127,027) |
| Issuance of treasury stock for benefit plans and stock options exercised, including related tax benefit of \$1,174 | — | — | (3,108) | 14,426 | — | — | 11,318 |
| Comprehensive income (loss) | — | — | — | — | 26,586 | (86,043) | (59,457) |
| Balance—January 31, 2006 | 59,239 | 89 | 729,455 | (112,601) | 938,383 | 204,981 | 1,760,307 |
| Purchase of treasury stock, at cost | — | — | — | (80,093) | — | — | (80,093) |
| Issuance of treasury stock for benefit plans and equity-based awards exercised, including related tax benefit of \$2,680 | — | — | (5,123) | 32,986 | — | — | 27,863 |
| Contribution of treasury stock to 401(k) savings plan | — | — | 73 | 2,080 | — | — | 2,153 |
| Stock-based compensation expense | — | — | 7,973 | — | — | — | 7,973 |
| Comprehensive (loss) income | — | — | — | — | (96,981) | 81,498 | (15,483) |
| Balance—January 31, 2007 | 59,239 | \$89 | \$732,378 | \$(157,628) | \$841,402 | \$286,479 | \$1,702,720 |

(a) The Company's accumulated other comprehensive income (loss) is comprised exclusively of changes in the Company's cumulative foreign currency translation adjustment account. The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

Consolidated Statement of Cash Flows

| | Year ended January 31, | | |
|----------------------------------------------------------------------------------------------------|------------------------|---------------|---------------|
| | 2007 | 2006 | 2005 |
| | (In thousands) | | |
| Cash flows from operating activities: | | | |
| Cash received from customers | \$ 21,185,902 | \$ 20,504,871 | \$ 19,745,283 |
| Cash paid to suppliers and employees | (21,091,764) | (20,160,865) | (19,571,824) |
| Interest paid, net | (26,910) | (21,082) | (18,837) |
| Income taxes paid | (81,216) | (65,485) | (47,677) |
| Net cash (used in) provided by operating activities | (13,988) | 257,439 | 106,945 |
| Cash flows from investing activities: | | | |
| Proceeds from sale of business | 16,500 | — | — |
| Proceeds from sale of property and equipment | 3,563 | 9,169 | 5,130 |
| Expenditures for property and equipment | (31,667) | (41,973) | (25,876) |
| Software and software development costs | (12,062) | (18,779) | (17,899) |
| Net cash used in investing activities | (23,666) | (51,583) | (38,645) |
| Cash flows from financing activities: | | | |
| Proceeds from the issuance of common stock and reissuance of treasury stock | 25,183 | 16,686 | 32,733 |
| Cash paid for purchase of treasury stock | (80,093) | (127,027) | — |
| Proceeds from issuance of convertible debentures, net of expenses | 342,554 | — | — |
| Net (repayments) borrowings on revolving credit loans | (164,824) | 166,530 | (11,319) |
| Principal payments on long-term debt | (1,611) | (291,627) | (9,214) |
| Excess tax benefit from stock-based compensation | 544 | — | — |
| Net cash provided by (used in) financing activities | 121,753 | (235,438) | 12,200 |
| Effect of exchange rate changes on cash and cash equivalents | 24,242 | (8,809) | 5,755 |
| Net increase (decrease) in cash and cash equivalents | 108,341 | (38,391) | 86,255 |
| Cash and cash equivalents at beginning of year | 156,665 | 195,056 | 108,801 |
| Cash and cash equivalents at end of year | \$ 265,006 | \$ 156,665 | \$ 195,056 |
| Reconciliation of net (loss) income to net cash (used in) provided by operating activities: | | | |
| Net (loss) income | \$ (96,981) | \$ 26,586 | \$ 162,460 |
| Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities: | | | |
| Goodwill impairment | \$ 136,093 | \$ — | \$ — |
| Gain on sale of discontinued operations, net of tax | (3,834) | — | — |
| Gain on sale of land | (3,563) | — | — |
| Depreciation and amortization | 53,280 | 53,744 | 55,472 |
| Provision for losses on accounts receivable | 27,655 | 6,172 | 13,268 |
| Stock-based compensation expense | 7,973 | — | — |
| Deferred income taxes | 4,296 | 26,466 | (3,616) |
| Excess tax benefit from stock-based compensation | (544) | — | — |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | (242,305) | (32,585) | (44,305) |
| Inventories | 25,806 | (83,311) | (119,999) |
| Prepaid expenses and other assets | 5,636 | 3,078 | (32,193) |
| Accounts payable | 21,985 | 214,804 | 55,849 |
| Accrued expenses and other liabilities | 50,515 | 42,485 | 20,009 |
| Total adjustments | 82,993 | 230,853 | (55,515) |
| Net cash (used in) provided by operating activities | \$ (13,988) | \$ 257,439 | \$ 106,945 |

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

Notes to Consolidated Financial Statements

NOTE 1—BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Tech Data Corporation (“Tech Data” or the “Company”) is a leading provider of information technology (“IT”) products, logistics management and other value-added services. The Company distributes microcomputer hardware and software products to value-added resellers, direct marketers, retailers and corporate resellers. The Company is managed in two geographic segments: the Americas (including the United States, Canada, Latin America and export sales to the Caribbean) and Europe, formerly referred to as EMEA (including Europe, the Middle East and export sales to Africa).

Principles of Consolidation

The consolidated financial statements include the accounts of Tech Data and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The Company operates on a fiscal year that ends on January 31.

Basis of Presentation

In accordance with Statement of Financial Accounting Standards (“SFAS” or “Statement”) No. 144, “Accounting for the Impairment or Disposal of Long-lived Assets,” the Company has accounted for the European Training Business (the “Training Business”) as a discontinued operation. The results of operations of the Training Business have been reclassified and presented as “discontinued operations, net of tax,” for all periods presented. The balance sheet data has not been reclassified as the net assets of the Training Business are less than 0.5% of the total net assets of the Company at January 31, 2006. The cash flows of the Training Business have not been reported separately within the Company’s Consolidated Statement of Cash Flows as the net cash flows of the Training Business are not material and the absence of cash flows from discontinued operations has not affected the Company’s liquidity subsequent to the sale of the Training Business. The transaction is further discussed in Note 3—Discontinued Operations.

Method of Accounting

The Company prepares its financial statements in conformity with accounting principles generally accepted in the United States. 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

Revenue is recognized once four criteria are met: (1) the Company must have persuasive evidence that an arrangement exists; (2) delivery must occur, which generally happens at the point of shipment (this includes the transfer of both title and risk of loss, provided that no significant obligations remain); (3) the price must be fixed or determinable; and (4) collectibility must be reasonably assured. Shipping revenue is included in net sales while the related costs, including shipping and handling costs, are included in the cost of products sold. The Company allows its customers to return product for exchange or credit subject to certain limitations. A provision for such returns is recorded at the time of sale based upon historical experience.

Service revenue associated with configuration, training and other services is recognized when the work is complete and the four criteria discussed above have been met. Service revenues have represented less than 10% of total net sales for fiscal years 2007, 2006 and 2005.

Accounts Receivable

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. In estimating the required allowance, the Company takes into consideration the overall quality and aging of the receivable portfolio, the existence of credit insurance, specifically identified customer risks and historical write-off experience. If actual customer performance were to deteriorate to an extent not expected by the Company, additional allowances may be required which could have an adverse effect on the Company’s financial results. Conversely, if actual customer performance were to improve to an extent not expected by us, a reduction in the allowance may be required which could have a favorable effect on our consolidated financial results.

Inventories

Inventories, consisting entirely of finished goods, are stated at the lower of cost or market, cost being determined on the first-in, first-out (“FIFO”) method. Inventory is written down for estimated obsolescence equal to the difference between the cost of inventory and the estimated market value, based upon an aging analysis of the inventory on hand, specifically known inventory-related risks (such as technological obsolescence and the nature of vendor

Notes to Consolidated Financial Statements

continued

terms surrounding price protection and product returns), foreign currency fluctuations for foreign-sourced product and assumptions about future demand.

Property and Equipment

Property and equipment are stated at cost and property and equipment under capital leases are stated at the present value of the future minimum lease payments. Depreciation expense includes depreciation of purchased property and equipment and assets recorded under capital leases. Depreciation expense is computed over the shorter of the estimated economic lives or lease periods using the straight-line method as follows:

| | Years |
|---------------------------------------------|-------|
| Buildings and improvements | 15–39 |
| Leasehold improvements | 3–10 |
| Furniture, fixtures and equipment | 3–10 |

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 and any gain or loss is recognized at such time.

Long-Lived Assets

Long-lived assets are reviewed for potential impairment at such time when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss is evaluated when the sum of the expected, undiscounted future net cash flows is less than the carrying amount of the asset. Any impairment loss is measured by comparing the fair value of the asset to its carrying value.

Goodwill

The Company accounts for goodwill and other intangible assets in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 requires an annual review for impairment, or more frequently if impairment indicators arise. This testing includes the determination of each reporting unit's fair value using market multiples and discounted cash flow modeling. The Company performs its annual review for goodwill impairment in the fourth quarter of each fiscal year.

Intangible Assets

Included within other assets at both January 31, 2007 and 2006 are certain intangible assets including capitalized software costs, as well as value assigned to the acquired customer lists and

trademarks related to the acquisitions of Computer 2000 AG ("Computer 2000") and Azlan Group PLC ("Azlan"). Such capitalized costs and intangibles are being amortized over a period of three to ten years.

The Company capitalizes computer software costs that meet both the definition of internal-use software and defined criteria for capitalization in accordance with the American Institute of Certified Public Accountants' Statement of Position No. 98-1, "Accounting for the Cost of Computer Software Developed or Obtained for Internal Use."

The Company's accounting policy is to amortize capitalized software costs on a straight-line basis over periods ranging from three to ten years, depending upon the nature of the software, the stability of the hardware platform on which the software is installed, its fit in the Company's overall strategy, and our experience with similar software. It is the Company's policy to amortize personal computer-related software, such as spreadsheet and word processing applications, over three years, which reflects the rapid changes in personal computer software. Mainframe software licenses are amortized over five years, which is in line with the longer economic life of mainframe systems compared to personal computer systems. Finally, strategic applications such as customer relationship management and enterprise-wide systems are amortized over seven to ten years based on their strategic fit and the Company's historical experience with such applications.

Product Warranty

The Company's vendors generally warrant the products distributed by the Company and allow the Company to return defective products, including those that have been returned to the Company by its customers. The Company does not independently warrant the products it distributes. However, in several countries where the Company operates, the Company is responsible for defective product as a matter of law. The time period required by law in certain countries exceeds the warranty period provided by the manufacturer. To date, the Company has not incurred any significant costs for defective products under these legal requirements. The Company does warrant services with regard to products integrated for its customers. A provision for estimated warranty costs is recorded at the time of sale and periodically adjusted to reflect actual experience. To date, the Company has not incurred any significant service warranty costs. Fees charged for products configured by the Company represented less than 10% of net sales for fiscal years 2007, 2006 and 2005.

Notes to Consolidated Financial Statements

continued

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value because of the short maturity of these items. The carrying amount of debt outstanding pursuant to bank credit agreements approximates fair value as interest rates on these instruments approximate current market rates. The estimated fair value of the convertible senior debentures was approximately \$339.0 million at January 31, 2007 based upon available market information.

Comprehensive (Loss) Income

Comprehensive (loss) income is defined as the change in equity (net assets) of a business enterprise during a period from transactions and other events and circumstances from non-owner sources, and is comprised of "net (loss) income" and "other comprehensive (loss) income." The Company's other comprehensive (loss) income is comprised exclusively of changes in the Company's currency translation adjustment account ("CTA account"), including income taxes attributable to those changes.

Comprehensive (loss) income, net of taxes, for the years ended January 31, 2007, 2006 and 2005 is as follows:

| | Year ended January 31, | | |
|------------------------------|------------------------|------------|------------|
| | 2007 | 2006 | 2005 |
| | (In thousands) | | |
| Comprehensive (loss) income: | | | |
| Net (loss) income | \$ (96,981) | \$ 26,586 | \$ 162,460 |
| Change in CTA ⁽¹⁾ | 81,498 | (86,043) | 68,051 |
| Total | \$ (15,483) | \$(59,457) | \$ 230,511 |

(1) There was no income tax effect in fiscal years 2007, 2006 or 2005.

Accumulated comprehensive (loss) income includes \$28.6 million of income taxes at January 31, 2007, 2006 and 2005.

Stock-Based Compensation

Effective February 1, 2006 (the "Effective Date"), the Company adopted the fair value recognition provisions of SFAS No. 123 (revised 2004), "Share-Based Payments" ("SFAS No. 123R"). SFAS No. 123R requires all stock-based payments to employees and

non-employee members of the board of directors, including grants of all employee equity incentives, to be recognized in the Company's Consolidated Statement of Operations based on their fair values. In March 2005, the SEC issued Staff Accounting Bulletin No. 107 ("SAB No. 107") regarding its interpretation of SFAS No. 123R and the valuation of stock-based payments for public companies. The Company has applied the provisions of SAB No. 107 in its adoption of SFAS No. 123R.

SFAS No. 123R eliminates the ability to account for stock-based compensation transactions using the intrinsic value method prescribed under APB Opinion No. 25, "Accounting for Stock Issued to Employees," and instead, generally requires that such transactions be accounted for using a fair value-based method. Through fiscal 2005, the Company used the Black-Scholes option-pricing model to determine the fair value of its stock options under SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), for the pro forma disclosures required under this pronouncement. Beginning in fiscal 2006, the Company began issuing maximum value stock-settled stock appreciation rights ("MV Stock-settled SARs") and maximum value stock options ("MVOs"), both of which are further discussed below. The fair value of MV Stock-settled SARs and MVOs under SFAS No. 123R is determined using a two-step valuation model utilizing both the Hull-White Lattice (binomial) and Black-Scholes option-pricing models, which is consistent with the valuation method used for the MV Stock-settled SARs and MVOs previously included in the Company's pro forma disclosures under SFAS No. 123.

The Company has elected the "modified prospective" method as permitted by SFAS No. 123R, and accordingly, prior periods have not been restated to reflect the impact of SFAS No. 123R. The modified prospective method requires compensation expense to be recognized for all stock-based awards granted after the Effective Date as well as for all awards granted prior to the Effective Date that remain unvested on the Effective Date. Stock-based compensation expense for awards granted prior to February 1, 2006 is based on the grant date fair value as previously determined under the provisions of SFAS No. 123. Effective February 1, 2006

the Company began to recognize compensation expense, reduced for estimated forfeitures, on a straight-line basis over the requisite service period of the award, which is generally the vesting term of the outstanding stock awards. The Company estimated the forfeiture rate for the fiscal year ended January 31, 2007 based on its historical experience during the preceding five fiscal years. For the fiscal year ended January 31, 2007, the Company recorded \$8.0 million of stock-based compensation expense (approximately \$0.09 per diluted share), which is included in "selling, general and administrative expenses" in the Consolidated Statement of Operations.

In accordance with SFAS No. 123R, beginning in the quarter ended April 30, 2006, the Company has presented the tax benefits resulting from tax deductions in excess of compensation cost recognized for stock-based awards (excess tax benefits) both as an operating activity and as a financing activity in the Consolidated Statement of Cash Flows. Cash received from stock option exercises during the fiscal year ended January 31, 2007 was \$25.2 million and the actual benefit received from the tax deduction from stock option exercises of the stock-based payment awards was \$2.7 million for the fiscal year ended January 31, 2007.

Prior to the adoption of SFAS No. 123R, the Company measured compensation expense for its stock-based compensation plans using the intrinsic value method prescribed by APB Opinion No. 25 and related interpretations. Options granted under these plans had an exercise price equal to or greater than the market value of the underlying common stock on the date of grant. The Company applied the disclosure only provisions of SFAS No. 148, which amends SFAS No. 123. SFAS No. 148 allowed for the continued use of recognition and measurement principles of APB Opinion No. 25 and related interpretations in accounting for those plans, but required disclosure of compensation expense as if the fair value-based method had been applied.

The following table illustrates the pro forma net income and pro forma income per share for fiscal years ended January 31, 2006 and 2005, reflecting the compensation cost that the Company would have recorded on its equity incentive plans had it used the fair value-based method at grant date for awards under the plans consistent with the method prescribed by SFAS No. 123.

| | Year ended January 31, | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|-------------------|
| | 2006 | 2005 |
| | (In thousands, except per share amounts) | |
| Net income, as reported | \$ 26,586 | \$ 162,460 |
| Deduct: Total stock-based employee compensation expense determined under fair value-based method for all awards, net of related tax effects ⁽¹⁾ | (22,804) | (17,592) |
| Pro forma net income | <u>\$ 3,782</u> | <u>\$ 144,868</u> |
| Earnings per share: | | |
| Basic—as reported | \$ 0.46 | \$ 2.79 |
| Basic—pro forma | <u>\$ 0.07</u> | <u>\$ 2.49</u> |
| Diluted—as reported | \$ 0.45 | \$ 2.74 |
| Diluted—pro forma | <u>\$ 0.06</u> | <u>\$ 2.45</u> |

(1) Pro forma stock compensation expense for the year ended January 31, 2006 includes incremental expense, net of the related tax effects, of approximately \$15.4 million related to the accelerated vesting of stock options issued in March 2004, as further discussed in Note 11—Employee Benefit Plans.

Treasury Stock

Treasury stock is accounted for at cost. The reissuance of shares from treasury stock for exercises of stock-based awards or other corporate purposes is based on the weighted average purchase price of the shares.

Notes to Consolidated Financial Statements

continued

Cash Management System

Under the Company's cash management system, to the extent that cash is unavailable locally, disbursements cleared by the bank are reimbursed on a daily basis from available credit facilities. As a result, checks issued but not yet presented to the bank by the payee are not considered reductions of cash or accounts payable. Included in accounts payable are \$115.5 million and \$87.3 million at January 31, 2007 and 2006, respectively, for which checks are outstanding.

Statement of Cash Flows

Short-term investments which are highly liquid and have an original maturity of ninety days or less are considered cash equivalents.

Contingencies

The Company accrues for contingent obligations, including estimated legal costs, when the obligation is probable and the amount is reasonably estimable. As facts concerning contingencies become known, the Company reassesses its position and makes appropriate adjustments to the financial statements. Estimates that are particularly sensitive to future changes include those related to tax, legal and other regulatory matters such as imports and exports, the imposition of international governmental controls, changes in the interpretation and enforcement of international laws (particularly related to items such as duty and taxation), and the impact of local economic conditions and practices, which are all subject to change as events evolve and as additional information becomes available during the administrative and litigation process.

Non-Cash Transactions

During the fiscal year ended January 31, 2005, the Company completed an Exchange Offer whereby approximately 99.3% of the Company's \$290.0 million convertible subordinated debentures were exchanged for new notes (see further discussion at Note 9—Long-Term Debt).

Recent Accounting Pronouncements & Legislation

In September 2006, the Securities and Exchange Commission (the "SEC") issued Staff Accounting Bulletin No. 108 "Considering the Effect of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements" ("SAB No. 108"). SAB No. 108 provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a potential current year misstatement. SAB No. 108 requires that companies view financial statement

misstatements as material if they are material according to either the income statement or balance sheet approach. The adoption of the provisions of SAB No. 108, effective as of the fiscal year ended January 31, 2007, did not have any impact on the Company's consolidated financial position, results of operations or cash flows.

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("FAS No. 157"). FAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. The Company is required to adopt the provisions of FAS No. 157 in the first quarter of fiscal 2008 and is currently in the process of evaluating what impact the adoption of FAS No. 157 may have on the Company's consolidated financial position, results of operations or cash flows.

In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — an interpretation of SFAS No. 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes," and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 will be applicable to the Company beginning February 1, 2007 and the Company is currently in the process of evaluating what impact the adoption of FIN 48 may have on the Company's consolidated financial position, results of operations or cash flows.

In June 2006, the FASB ratified the Emerging Issues Task Force ("EITF") consensus on Issue No. 06-03, "How Taxes Collected from Customers and Remitted to Government Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation)" ("EITF No. 06-03"). The Company is required to adopt the provisions of EITF No. 06-03 in the fiscal year beginning February 1, 2007. The Company does not expect the provisions of EITF No. 06-03 to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In June 2005, the FASB issued Staff Position 143-1, "Accounting for Electronic Equipment Waste Obligations" ("FSP 143-1"). FSP 143-1 provides guidance on the accounting for certain obligations associated with the Waste Electrical and Electronic Equipment

Directive (the "Directive") adopted by the European Union ("EU"). Under the Directive, the waste management obligation for historical equipment (products put on the market on or prior to August 13, 2005) remains with the commercial user until the customer replaces the equipment. As of January 31, 2007, the Company has applied the provisions of FSP 143-1, which requires recognition of the estimated liability and obligation associated with the historical waste, upon adoption of the Directive into law by the applicable EU member countries in which it operates. The adoption of FSP

143-1 did not have a material effect on the Company's consolidated financial position, results of operations or cash flows.

Reclassifications

Reclassifications have been made to the January 31, 2006 and 2005 financial statements to conform to the January 31, 2007 financial statement presentation. These reclassifications did not change previously reported total assets, liabilities, shareholders' equity or net income.

NOTE 2—EARNINGS PER SHARE ("EPS")

Basic EPS is computed by dividing net income by the weighted average number of shares outstanding during the reported period. For the years ended January 31, 2007, 2006 and 2005, diluted EPS reflects the potential dilution that could occur assuming the exercise of the stock options and similar equity incentives (as further discussed below) using the treasury stock or if-converted method, as applicable. The composition of basic and diluted EPS is as follows:

| | Year ended January 31, 2007 | | | Year ended January 31, 2006 | | | Year ended January 31, 2005 | | |
|------------------------------------------------------|-----------------------------|-------------------------|------------------------|-----------------------------|-------------------------|------------------|-----------------------------|-------------------------|------------------|
| | Net loss | Weighted average shares | Per share amount | Net income | Weighted average shares | Per share amount | Net income | Weighted average shares | Per share amount |
| (In thousands, except per share data) | | | | | | | | | |
| Net (loss) income per common share—basic | \$(96,981) | 55,129 | <u>\$(1.76)</u> | \$26,586 | 57,749 | <u>\$0.46</u> | \$162,460 | 58,176 | <u>\$2.79</u> |
| Effect of dilutive securities: | | | | | | | | | |
| Stock options | — | — | | — | 665 | | — | 1,017 | |
| Net (loss) income per common share—diluted | \$(96,981) | 55,129 | <u>\$(1.76)</u> | \$26,586 | 58,414 | \$0.45 | \$162,460 | 59,193 | \$2.74 |

At January 31, 2007, 2006 and 2005, there were 2,573,907, 3,215,066 and 1,435,852 shares, respectively, excluded from the computation of diluted earnings per share because their effect would have been antidilutive.

In December 2006, the Company issued \$350.0 million of convertible senior debentures due 2026. The dilutive impact of the \$350.0 million convertible senior debentures does not impact earnings per share at January 31, 2007 as the conditions for the contingent conversion feature have not been met (see further discussion in Note 9—Long-Term Debt).

In December 2004, the Company completed an Exchange Offer whereby approximately 99.3% of the Company's \$290.0 million convertible subordinated debentures (the "Old Notes") were exchanged for new debentures (the "New Notes"). The dilutive impact of the Old Notes and New Notes outstanding at January 31, 2005 has been excluded from the diluted earnings per share

calculations due to the conditions for the contingent conversion features not being met. As further discussed in Note 9—Long-Term Debt, the entire balance of the Old Notes and the New Notes was repaid prior to January 31, 2006.

NOTE 3—DISCONTINUED OPERATIONS

In the fourth quarter of fiscal 2006, in order to dedicate strategic efforts and resources to core growth opportunities, the Company made the decision to sell the European Training Business (the "Training Business"). On March 10, 2006, the Company closed the sale of the Training Business to a third-party (the "Purchaser") for total cash consideration of \$16.5 million, resulting in an after-tax gain of \$3.8 million. Net assets and other related costs included in the sale of the Training Business totaled \$11.5 million, including \$1.4 million of allocated goodwill. The Company provided IT

Notes to Consolidated Financial Statements

continued

services for a transitional period of approximately six months, but had no other significant continuing involvement in the operations of the Training Business subsequent to the closing of the sale. In addition, the Company has realized no continuing cash flows from the Training Business subsequent to the closing of the sale.

In accordance with SFAS No. 144, the sale of the Training Business qualifies as a discontinued operation. Accordingly, the results of operations and the gain on sale of the Training Business have been reclassified and included in "discontinued operations, net of tax," within the Consolidated Statement of Operations for the fiscal years ended January 31, 2007, 2006 and 2005, respectively. The assets and liabilities of the Training Business have not been reclassified within the January 31, 2006 Consolidated Balance Sheet as the net assets of the Training Business are less than 0.5% of the total consolidated net assets of the Company.

The following table reflects the results of the Training Business reported as discontinued operations for all periods presented:

| | Year ended January 31, | | |
|------------------------------------------------------------------|------------------------|----------|----------|
| | 2007 | 2006 | 2005 |
| | (In thousands) | | |
| Net sales | \$5,634 | \$59,290 | \$59,416 |
| Cost of products sold | 1,259 | 11,519 | 11,117 |
| Gross profit | 4,375 | 47,771 | 48,299 |
| Selling, general and administrative expenses | 4,056 | 42,545 | 44,340 |
| Operating income from discontinued operations | 319 | 5,226 | 3,959 |
| Provision for income taxes | 207 | 1,607 | 1,121 |
| Income from discontinued operations, net of tax | 112 | 3,619 | 2,838 |
| Gain on sale of discontinued operations, net of tax | 3,834 | — | — |
| Total | \$3,946 | \$ 3,619 | \$ 2,838 |

No amounts related to interest expense or interest income have been allocated to discontinued operations.

The net assets of the Training Business as of January 31, 2006, included in the Company's Consolidated Balance Sheet, are as follows (in thousands):

| | |
|--------------------------------------------------|----------|
| ASSETS | |
| Current assets: | |
| Accounts receivable, net | \$ 9,266 |
| Inventories | 537 |
| Prepaid expenses and other assets | 2,227 |
| Total current assets | 12,030 |
| Property and equipment, net | 6,236 |
| Total assets | \$18,266 |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | \$ 1,597 |
| Accrued expenses and other liabilities | 9,349 |
| Total current liabilities | 10,946 |
| Total liabilities | \$10,946 |
| Net assets | \$ 7,320 |

NOTE 4—ACCOUNTS RECEIVABLE, NET

Accounts receivable, net is comprised of the following:

| | January 31, | |
|-------------------------------------------|----------------|-------------|
| | 2007 | 2006 |
| | (In thousands) | |
| Accounts receivable | \$2,533,702 | \$2,220,513 |
| Allowance for doubtful accounts | (68,967) | (60,375) |
| Total | \$2,464,735 | \$2,160,138 |

Trade Receivables Purchase Facility Agreements

The Company has revolving trade receivables purchase facility agreements (the "Receivables Facilities") with third-party financial institutions to sell accounts receivable on a non-recourse basis. The Company uses the Receivables Facilities as a source of working capital funding. The Receivables Facilities limit the amount of purchased accounts receivable the financial institutions may hold

to \$356.1 million at January 31, 2007, based on currency exchange rates at that date. Under the Receivables Facilities, the Company may sell certain accounts receivable (the "Receivables") in exchange for cash less a discount based on LIBOR plus a margin. Such transactions have been accounted for as a true sale in accordance with SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities." The Receivables Facilities, which have various expiration dates, require that the Company continue to service, administer and collect the sold accounts receivable.

During the fiscal years ended January 31, 2007 and 2006, the Company received gross proceeds of \$1.3 billion and \$796.1 million, respectively, from the sale of the Receivables and recognized related discounts totaling \$12.5 million and \$5.5 million, respectively. The proceeds, net of the discount incurred, are reflected in the Consolidated Statement of Cash Flows in operating activities within cash received from customers and the change in accounts receivable. Prior to the second quarter of fiscal 2006, the Company did not utilize the Receivables Facilities as a source of funding.

NOTE 5—PROPERTY AND EQUIPMENT, NET

| | January 31, | |
|------------------------------------------------|-------------------|------------|
| | 2007 | 2006 |
| | (In thousands) | |
| Land | \$ 6,584 | \$ 6,276 |
| Buildings and leasehold improvements | 91,370 | 88,996 |
| Furniture, fixtures and equipment | 340,398 | 322,344 |
| | 438,352 | 417,616 |
| Less accumulated depreciation | (297,590) | (276,341) |
| | \$ 140,762 | \$ 141,275 |

Depreciation expense, including amortization expense of assets recorded under capital leases, included in income from continuing operations for the years ended January 31, 2007, 2006 and 2005 totaled \$31.0 million, \$30.6 million, and \$33.1 million, respectively. Property and equipment leased under capital leases was approximately \$13.8 million and \$14.5 million, net of accumulated depreciation of \$10.5 million and \$8.2 million, at January 31, 2007 and 2006, respectively (see Note 9—Long-Term Debt). Property and equipment recorded as capital leases is comprised of a logistics center and related equipment in Europe.

NOTE 6—GOODWILL AND INTANGIBLE ASSETS

The Company accounts for goodwill and other intangible assets in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 requires goodwill and indefinite-lived intangible assets be reviewed annually for possible impairment, or more frequently if impairment indicators arise. Due to certain indicators of impairment within our European reporting unit, the Company performed an impairment test for goodwill as of July 31, 2006. These impairment indicators included significantly lower than expected revenues in Europe during the quarter, further deceleration in IT demand during the quarter and a heightened level of pricing pressure in Europe during the quarter. The Company's impairment testing included the determination of the European reporting unit's fair value using market multiples and discounted cash flows modeling. The Company's reduced earnings and cash flow forecast for Europe, primarily due to the increasingly competitive market conditions and uncertain demand, resulted in the Company determining that a goodwill impairment charge was necessary. During the second quarter of fiscal 2007, the Company recorded a \$136.1 million non-cash charge for the goodwill impairment in Europe.

The changes in the carrying amount of goodwill for the years ended January 31, 2007 and 2006, respectively, are as follows:

| | Americas | Europe | Total |
|---------------------------------------------------------------------------|-----------------|-------------|-----------------|
| | (In thousands) | | |
| Balance as of January 31, 2005 | \$ 2,966 | \$ 146,753 | \$ 149,719 |
| Adjustments to allocation of previously recorded purchase price | — | (3,346) | (3,346) |
| Other ⁽¹⁾ | — | (12,046) | (12,046) |
| Balance as of January 31, 2006 | 2,966 | 131,361 | 134,327 |
| Allocation of goodwill to sale of Training Business | — | (1,400) | (1,400) |
| Adjustments to allocation of previously recorded purchase price | — | 990 | 990 |
| Goodwill impairment | — | (136,093) | (136,093) |
| Other ⁽¹⁾ | — | 5,142 | 5,142 |
| Balance as of January 31, 2007 | \$ 2,966 | \$ — | \$ 2,966 |

(1) "Other" primarily relates to the effect of fluctuations in foreign currencies.

Notes to Consolidated Financial Statements

continued

Included within "other assets, net" are intangible assets as follows:

| | January 31, 2007 | | | January 31, 2006 | | |
|--------------------------------------------|-----------------------|--------------------------|----------------|-----------------------|--------------------------|----------------|
| | Gross carrying amount | Accumulated amortization | Net book value | Gross carrying amount | Accumulated amortization | Net book value |
| | (In thousands) | | | (In thousands) | | |
| Amortized intangible assets: | | | | | | |
| Capitalized software and development costs | \$202,342 | \$120,847 | \$81,495 | \$191,169 | \$107,248 | \$83,921 |
| Customer lists | 31,356 | 20,829 | 10,527 | 29,340 | 15,777 | 13,563 |
| Trademarks | 7,806 | 5,985 | 1,821 | 7,303 | 4,139 | 3,164 |
| Other intangible assets | 2,191 | 666 | 1,525 | 817 | 745 | 72 |
| Total | \$243,695 | \$148,327 | \$95,368 | \$228,629 | \$127,909 | \$100,720 |

The Company capitalized intangible assets of \$12.1 million, \$18.8 million and \$17.9 million for the years ended January 31, 2007, 2006 and 2005, respectively. These capitalized intangible assets included capitalized interest of \$0.3 million and \$0.6 million for the fiscal years ended January 31, 2006 and 2005. There was no interest capitalized in the fiscal year ended January 31, 2007. These capitalized assets related solely to software and software development expenditures to be used in the Company's operations.

The weighted average amortization period for all intangible assets capitalized during fiscal 2007, 2006 and 2005 approximated six, nine and eight years, respectively. The weighted average amortization period of all intangible assets was approximately eight years for fiscal 2007 and nine years for both fiscal years 2006 and 2005.

Amortization expense included in income from continuing operations for the years ended January 31, 2007, 2006 and 2005 totaled \$22.1 million, \$21.2 million and \$20.0 million, respectively. Estimated amortization expense of currently capitalized costs for assets placed in service is as follows (in thousands):

| Fiscal year: | |
|--------------|----------|
| 2008 | \$21,500 |
| 2009 | 17,400 |
| 2010 | 13,300 |
| 2011 | 9,300 |
| 2012 | 9,200 |

NOTE 7—RESTRUCTURING PROGRAM

In May 2005, the Company announced a formal restructuring program to better align the European operating cost structure with the current business environment. The initiatives related to the restructuring program were completed during the third quarter of fiscal 2007. In connection with this restructuring program, the Company recorded charges for workforce reductions and the optimization of facilities and systems. During the year ended January 31, 2007, the Company recorded \$23.8 million related to the restructuring program, comprised of \$20.0 million for workforce reductions and \$3.8 million for facility costs. Through January 31, 2007 (since inception of the program), the Company has incurred \$54.7 million related to the restructuring program, comprised of \$38.9 million for workforce reductions and \$15.8 million for facility costs. Cash payments related to the restructuring program have been funded by operating cash flows and the Company's credit facilities.

The restructuring charges were incurred pursuant to formal plans developed by management and are accounted for in accordance with the guidance set forth in SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." The costs related to this restructuring program, other than the external consulting costs, are reflected in the Consolidated Statement of Operations as "restructuring charges," which is a component of operating income. The accrued restructuring charges are included in "accrued expenses and other liabilities" in the Consolidated Balance Sheet. In addition, during the years ended January 31, 2007 and 2006, the Company incurred \$8.6 million and \$9.6 million,

respectively, of external consulting costs related to the restructuring program. These consulting costs are included in "selling, general and administrative expenses" in the Consolidated Statement of Operations.

Summarized below is the activity related to accruals for restructuring charges recorded during the years ended January 31, 2007 and 2006:

| | Employee termination benefits | Facility costs | Total |
|-----------------------------------------------------|-------------------------------------|-------------------|------------------|
| (In thousands) | | | |
| Balance as of January 31, 2005 | \$ — | \$ — | \$ — |
| Charges to operations | 18,888 | 12,058 | 30,946 |
| Cash payments | (16,980) | (2,198) | (19,178) |
| Other | 151 | 564 | 715 |
| Balance as of January 31, 2006 | 2,059 | 10,424 | 12,483 |
| Charges to operations | 19,989 | 3,775 | 23,764 |
| Cash payments | (17,508) | (8,825) | (26,333) |
| Other | (518) | 1,821 | 1,303 |
| Balance as of January 31, 2007 | \$ 4,022 | \$ 7,195 | \$ 11,217 |

NOTE 8—REVOLVING CREDIT LOANS

| | January 31, | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|------------------|
| | 2007 | 2006 |
| (In thousands) | | |
| Receivables Securitization Program, interest rate of 5.70% at January 31, 2007, expiring August 2007 | \$ — | \$120,000 |
| Multi-currency Revolving Credit Facility, interest rate of 6.32% at January 31, 2007, expiring March 2010 | — | 6,000 |
| Other revolving credit facilities, average interest rate of 4.37% at January 31, 2007, expiring on various dates throughout fiscal 2008 | 77,195 | 109,088 |
| | \$77,195 | \$235,088 |

The Company has an agreement (the "Receivables Securitization Program") with a syndicate of banks that allows the Company to transfer an undivided interest in a designated pool of U.S. accounts receivable, on an ongoing basis, to provide security or collateral for borrowings up to a maximum of \$400.0 million. Under this program, which expires in August 2007, the Company legally isolated

certain U.S. trade receivables into a wholly-owned bankruptcy remote special purpose entity. Such receivables, which are recorded in the Consolidated Balance Sheet, totaled \$571.3 million and \$515.3 million at January 31, 2007 and 2006, respectively. 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 maximum. The Company pays interest on advances under the Receivables Securitization Program at designated commercial paper rates plus an agreed-upon margin. The Company plans to renew this program in August 2007.

Under the terms of the Company's Multi-currency Revolving Credit Facility with a syndicate of banks, the Company is able to borrow funds in major foreign currencies up to a maximum of \$250.0 million. Under this facility, which expires in March 2010, the Company has provided either a pledge of stock or a guarantee of certain of its significant subsidiaries. The Company pays interest on advances under this facility at the applicable LIBOR rate plus a margin based on the Company's credit ratings. The Company can fix the interest rate for periods of 7 to 180 days under various interest rate options.

On March 20, 2007, the Company amended the Receivables Securitization Program, the \$250.0 million Multi-currency Revolving Credit Facility, and the synthetic lease facility we have with a group of financial institutions (the "Synthetic Lease") (see the Synthetic Lease further discussed at Note 12—Commitments and Contingencies). The primary purpose of these amendments was to obtain more favorable interest rates, lease rates and facility fees. In addition, the maturity date of the Multi-currency Revolving Credit Facility was extended to March 20, 2012.

In addition to the facilities described above, the Company has additional lines of credit and overdraft facilities totaling approximately \$787.4 million at January 31, 2007 to support its worldwide operations. Most of these facilities are provided on an unsecured, short-term basis and are reviewed periodically for renewal.

The total capacity of the aforementioned credit facilities was approximately \$1.4 billion, of which \$77.2 million was outstanding at January 31, 2007. The Company's credit agreements contain limitations on the amounts of annual dividends and repurchases of common stock. Additionally, the credit agreements require compliance with certain warranties and covenants. The financial ratio covenants contained within the credit agreements include a debt to capitalization ratio, an interest to EBITDA (earnings before

Notes to Consolidated Financial Statements

continued

interest, taxes, depreciation and amortization) ratio and a tangible net worth requirement. At January 31, 2007, the Company was in compliance with all such covenants. The ability to draw funds under these credit facilities is dependent upon sufficient collateral (in the case of the Receivables Securitization Program) and meeting the aforementioned financial covenants, which may limit the Company's ability to draw the full amount of these facilities. As of January 31, 2007, the maximum amount that could be borrowed under these facilities, in consideration of the availability of collateral and the financial covenants, was approximately \$750.1 million.

At January 31, 2007, the Company had issued standby letters of credit of \$25.5 million. These letters of credit typically act as a guarantee of payment to certain third parties in accordance with specified terms and conditions. The issuance of these letters of credit reduces the Company's available capacity under the above mentioned facilities by the same amount.

NOTE 9—LONG-TERM DEBT

| | January 31, | |
|-------------------------------------------------------------------------------------------------|------------------|----------|
| | 2007 | 2006 |
| | (In thousands) | |
| Convertible senior debentures, interest at 2.75% payable semi-annually, due December 2026 . . . | \$350,000 | \$ — |
| Capital leases | 15,980 | 15,983 |
| | 365,980 | 15,983 |
| Less—current maturities | (2,376) | (1,605) |
| | \$363,604 | \$14,378 |

In December 2006, the Company issued \$350.0 million of convertible senior debentures due 2026. The debentures bear interest at 2.75% per year. The Company will pay interest on the debentures on June 15 and December 15 of each year, beginning on June 15, 2007. In addition, beginning with the period commencing on December 20, 2011 and ending on June 15, 2012 and for each six-month period thereafter, the Company will pay contingent interest on the interest payment date for the applicable interest period if the market price of the debentures equals specified levels. The convertible senior debentures are convertible into the

Company's common stock and cash, anytime after June 15, 2026, or i) if the market price of the common stock, as defined, exceeds 135% of the conversion price per share of common stock or ii) if the Company calls the debentures for redemption or iii) upon occurrence of certain corporate transactions, as defined. Holders have the right to convert the debentures into cash and shares of the Company's common stock, if any, at a conversion rate of 18.4310 shares per \$1,000 principal amount of debentures, equivalent to a conversion price of approximately \$54.26 per share. Upon conversion, the Company will deliver cash equal to the lesser of the aggregate principal amount of the debentures to be converted and the Company's total conversion obligation and shares of the Company's common stock in respect of the remainder, if any, of the Company's conversion obligation. Holders have the option to require the Company to repurchase the debentures in cash on any of the fifth, tenth or fifteenth anniversary dates from the issue date at 100% of the principal amount plus accrued interest to the repurchase date. The debentures are redeemable in whole or in part for cash at the Company's option at any time on or after December 20, 2011. Additionally, the debentures are senior, unsecured obligations and rank equally in right of payment with all of the Company's other unsecured and unsubordinated indebtedness. The debentures are effectively subordinated to all of the Company's existing and future secured debt and are structurally subordinated to the indebtedness and other liabilities of the Company's subsidiaries. The proceeds from the offering were used to pay off short-term debt and for other general corporate purposes.

In December 2004, the Company completed an Exchange Offer whereby approximately 99.3% of the Company's then outstanding \$290.0 million convertible subordinated debentures (the "Old Notes") were exchanged for new debentures (the "New Notes"). In accordance with the debenture agreement, on December 15, 2005, the debenture holders of the New Notes exercised their option to require the Company to repurchase the debentures. The Company repurchased the New Notes using cash and existing credit lines. In addition, prior to January 31, 2006, the Company also repurchased the remaining Old Notes using cash and existing credit lines.

Future payments of long-term debt and capital leases at January 31, 2007 and for succeeding fiscal years, which assumes the \$350 million convertible senior debentures will be redeemed on the first redemption date of December 20, 2011, are as follows (in thousands):

| Fiscal year: | |
|------------------------------------------------------|------------------|
| 2008 | \$ 3,381 |
| 2009 | 1,974 |
| 2010 | 1,809 |
| 2011 | 1,809 |
| 2012 | 351,809 |
| Thereafter | 9,110 |
| Total payments | 369,892 |
| Less amounts representing interest on capital leases | (3,912) |
| Total principal payments | <u>\$365,980</u> |

Shelf Registration Statement

In May 2006, the Company withdrew its \$500.0 million universal shelf registration statement with the Securities and Exchange Commission as the Company made the decision not to issue debt or equity securities through this registration statement.

NOTE 10—INCOME TAXES

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." The Company evaluates the realizability of its deferred tax assets on a quarterly basis. This evaluation considers all positive and negative evidence and factors, such as the scheduled reversal of temporary differences, historical and projected future taxable income, and prudent and feasible tax planning strategies.

As a result of the Company's quarterly deferred tax asset evaluation, during the second quarters of fiscal 2007 and 2006, non-cash charges of \$8.4 million and \$56.0 million, respectively, were recorded to increase the valuation allowance against deferred tax assets related to specific jurisdictions in Europe. While the Company believes its restructuring efforts will improve the operating performance within the European operations, the Company determined these charges to be appropriate due to the cumulative losses expected to be realized through both the prior and current fiscal years, after considering the effect of prudent and feasible tax planning strategies. To the extent that the Company generates consistent taxable income within those operations requiring a valuation allowance, the Company may reduce the valuation

allowance, thereby reducing the income tax expense and increasing net income in the same period. The underlying net operating loss carryforwards remain available to offset future taxable income in the specific jurisdictions requiring a valuation allowance, subject to applicable tax laws and regulations.

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

| | Year ended January 31, | | |
|----------------|------------------------|-----------|----------|
| | 2007 | 2006 | 2005 |
| (In thousands) | | | |
| Current: | | | |
| Federal | \$35,458 | \$ 62,032 | \$31,701 |
| State | 990 | 3,931 | 1,763 |
| Foreign | 14,764 | 16,584 | 22,177 |
| Total current | 51,212 | 82,547 | 55,641 |
| Deferred: | | | |
| Federal | 800 | (22,747) | 4,990 |
| State | (302) | (2,371) | 967 |
| Foreign | 3,798 | 51,584 | (9,573) |
| Total deferred | 4,296 | 26,466 | (3,616) |
| | \$55,508 | \$109,013 | \$52,025 |

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

| | Year ended January 31, | | |
|-----------------------------------------------------|------------------------|--------|-------|
| | 2007 | 2006 | 2005 |
| U.S. statutory rate | 35.0% | 35.0% | 35.0% |
| State income taxes, net of federal benefit | (1.0) | 0.8 | 0.8 |
| Valuation allowance | (100.7) | 60.7 | 2.5 |
| Tax on foreign earnings different than U.S. rate | 47.5 | (14.0) | (9.8) |
| Nondeductible goodwill | (104.7) | — | — |
| Nondeductible interest | (5.3) | — | — |
| Reversal of previously accrued income taxes | 6.7 | — | (5.4) |
| Other—net | 0.3 | 0.1 | 1.5 |
| | (122.2)% | 82.6% | 24.6% |

Included in the valuation allowance in fiscal 2007 and 2006 are non-cash charges of \$8.4 million and \$56.0 million, respectively, to increase the valuation allowance on deferred tax assets related to specific jurisdictions in Europe which were recorded in prior fiscal years. The reversal of previously accrued income taxes represents

Notes to Consolidated Financial Statements

continued

the reversal of \$3.0 million and \$11.5 million in accrued taxes in fiscal 2007 and 2005, respectively, due to the favorable resolution of various income tax examinations.

The components of pretax (loss) income from continuing operations are as follows:

| | Year ended January 31, | | |
|-------------------------|------------------------|-----------|-----------|
| | 2007 | 2006 | 2005 |
| | (In thousands) | | |
| United States | \$ 108,369 | \$122,125 | \$114,338 |
| Foreign | (153,788) | 9,855 | 97,309 |
| | \$ (45,419) | \$131,980 | \$211,647 |

Significant components of the Company's deferred tax liabilities and assets are as follows:

| | January 31, | |
|-----------------------------------------------|------------------|-----------|
| | 2007 | 2006 |
| | (In thousands) | |
| Deferred tax liabilities: | | |
| Depreciation and amortization | \$ 25,922 | \$ 23,595 |
| Capitalized marketing program costs | 2,074 | 2,497 |
| Convertible debenture interest | 687 | — |
| Accruals currently deductible | 9,591 | 8,793 |
| Other, net | 6,521 | 6,488 |
| Total deferred tax liabilities | 44,795 | 41,373 |
| Deferred tax assets: | | |
| Accrued liabilities | 59,284 | 50,363 |
| Loss carryforwards | 143,896 | 101,756 |
| Amortizable goodwill | 29,655 | 32,456 |
| Depreciation and amortization | 9,946 | 8,256 |
| Other, net | 2,333 | 2,114 |
| | 245,114 | 194,945 |
| Less: valuation allowance | (187,027) | (136,506) |
| Total deferred tax assets | 58,087 | 58,439 |
| Net deferred tax asset | \$ 13,292 | \$ 17,066 |

The net change in the deferred income tax valuation allowance was an increase of \$50.5 million at January 31, 2007 and an increase of \$69.6 million at January 31, 2006. The valuation allowance at January 31, 2007 and 2006 primarily relates to foreign net operating loss carryforwards of \$549.8 million and \$375.7 million, respectively. The majority of the net operating losses have an indefinite carryforward period with the remaining portion expiring in fiscal years 2013 through 2022. The Company evaluates a variety of factors in determining the realizability of deferred tax

assets, including the scheduled reversal of temporary differences, projected future taxable income, and prudent and feasible tax planning strategies.

At January 31, 2007, there are no consolidated cumulative undistributed earnings of foreign subsidiaries. It is not currently practical to estimate the amount of unrecognized deferred U.S. income tax that might be payable if any earnings were distributed by individual foreign subsidiaries.

NOTE 11—EMPLOYEE BENEFIT PLANS

Equity Incentive Plans

At January 31, 2007, the Company had awards outstanding from four equity-based compensation plans, one of which is currently active and which authorizes the issuance of 9.5 million shares, of which approximately 3.2 million shares are available for future grant. Under the plans, the Company is authorized to award officers, employees, and non-employee members of the Board of Directors restricted stock, restricted stock units ("RSUs"), options to purchase common stock, MV Stock-settled SARs, MVOs and performance awards that are dependent upon achievement of specified performance goals. Equity-based compensation awards have a maximum term of 10 years, unless a shorter period is specified by the Compensation Committee of the Board of Directors or is required under local law. Awards under the plans are priced as determined by the Compensation Committee and under the terms of the Company's active equity-based compensation plan are required to be priced at, or above, the fair market value of the Company's common stock on the date of grant. Awards generally vest between one and four years from the date of grant.

MV Stock-settled SARs and MVOs are similar to traditional stock options, except these instruments contain a predetermined cap on the maximum earnings potential a recipient can expect to receive upon exercise. In addition, upon exercise, holders of an MV Stock-settled SAR will only receive shares with a value equal to the spread (the difference between the current market price per share of the Company's common stock subject to the predetermined cap and the grant price). The grant price of the MV Stock-settled SARs and MVOs is determined using the last sale price of the Company's common stock as quoted on the NASDAQ on the date of grant (or such higher price as may be required by applicable laws and regulations of specific foreign jurisdictions). The other terms of the awards (i.e., vesting schedule, contractual term, etc.) are not materially different from the terms of traditional stock options previously granted by the Company.

During the fiscal years ended January 31, 2007 and 2006, the Company's Board of Directors approved the issuance of 1.5 million and 1.6 million, respectively, of long-term incentive awards in the form of MV Stock-settled SARs and MVOs pursuant to the Amended and Restated 2000 Equity Incentive Plan of Tech Data Corporation, as amended. Prior to the adoption of SFAS No. 123R, the Company accounted for MV Stock-settled SARs and MVOs as

variable awards. In accordance with APB No. 25, these variable awards were remeasured on a quarterly basis and changes in value were recorded in the Company's Consolidated Statement of Operations as compensation expense. Compensation expense of approximately \$0.1 million was recorded for these instruments during the year ended January 31, 2006.

A summary of the status of the Company's equity-based compensation plan activity is as follows:

| | Shares | Weighted average exercise price | Weighted average remaining contractual term (in years) | Aggregate intrinsic value (in thousands) |
|--------------------------------------------------------|------------------|---------------------------------|--------------------------------------------------------|------------------------------------------|
| Outstanding at January 31, 2006 | 7,192,203 | \$35.36 | | |
| Granted | 1,496,440 | 36.88 | | |
| Exercised | (911,333) | 28.26 | | |
| Canceled | (1,007,089) | 38.85 | | |
| Outstanding at January 31, 2007 | 6,770,221 | 36.14 | 6.4 | \$19,000 |
| Vested and expected to vest at January 31, 2007 | 6,569,397 | 36.12 | 6.4 | 19,000 |
| Exercisable at January 31, 2007 | 4,218,095 | 36.43 | 5.1 | 15,000 |
| Available for grant at January 31, 2007 | 3,228,502 | | | |

The aggregate intrinsic value in the table above represents the difference between the closing price of the Company's common stock on January 31, 2007 and the grant price for all in-the-money options at January 31, 2007. The intrinsic value of the equity-based awards changes based on the fair market value of the Company's common stock. The intrinsic value of equity-based awards exercised during the fiscal year ended January 31, 2007 was \$10.5 million. As of January 31, 2007, the Company expects \$22.6 million of total unrecognized compensation cost related to equity-based awards to be recognized over the next three fiscal years (weighted average period of 2.0 years). The total fair value of equity-based awards vested during the fiscal year ended January 31, 2007 was \$7.4 million.

The Company has elected to use the Hull-White Lattice (binomial) and Black-Scholes option-pricing models to determine the fair value of awards granted during fiscal 2007 and 2006. The Company used the Black-Scholes option-pricing model for awards granted prior to fiscal 2006. Both the Hull-White Lattice and Black-Scholes option-pricing models incorporate various assumptions

including expected volatility, expected life and risk-free interest rates, while the Hull-White Lattice model also incorporates a sub-optimal exercise factor ("SEF") assumption. The Company calculates expected volatility using an equal blend of the historical volatility of the Company's common stock over the most recent period equal to the contractual term of the award and the implied volatility using traded options with a variety of remaining maturities. The expected life for the Hull-White component of the valuation is equal to the contractual term of the award and the Black-Scholes component is based on historical experience. The risk-free rate corresponds to the ten-year Treasury rate on the date of the award as the contractual term of the award is generally 10 years. The SEF takes into consideration early exercise behavior or patterns based on stock-price appreciation. The SEF is computed by analyzing historical exercises and stock prices on the exercise date as a multiple of the original award price. Fair value calculations are subject to change based upon the assumptions applied within the applicable models.

Notes to Consolidated Financial Statements

continued

The weighted average estimated fair value of the MV Stock-settled SARs and MVOs granted during the years ended January 31, 2007 and 2006 was \$7.19 and \$7.70, respectively, based on a two-step valuation utilizing both the Hull-White Lattice (binomial) and Black-Scholes option-pricing models using the following weighted average assumptions:

| | Expected option term (years) | Expected volatility | Risk-free interest rate | Expected dividend yield | Suboptimal exercise factor |
|------------------------------------|------------------------------|---------------------|-------------------------|-------------------------|----------------------------|
| Year ended January 31, 2007 | | | | | |
| Hull-White Lattice | 10 | 42% | 4.87% | 0% | 1.20 |
| Black-Scholes | 4 | 42% | 4.74% | 0% | — |
| Year ended January 31, 2006 | | | | | |
| Hull-White Lattice | 10 | 41% | 4.65% | 0% | 1.24 |
| Black-Scholes | 4 | 41% | 3.76% | 0% | — |

The weighted average estimated fair value of options granted during fiscal 2005 was \$19.87 based on the Black-Scholes option-pricing model using the following weighted average assumptions:

| | Expected option term (years) | Expected volatility | Risk-free interest rate | Expected dividend yield |
|------------------------------------|------------------------------|---------------------|-------------------------|-------------------------|
| Year ended January 31, 2005 | | | | |
| Black-Scholes | 5 | 57% | 2.50% | 0% |

A summary of the status of the Company's stock-based equity incentives outstanding, which includes options, MV Stock-settled SARs and MVOs is as follows:

| Range of exercise prices | Outstanding | | | Exercisable | |
|--------------------------|-------------------------------|-----------------------------------------------------|---------------------------------|-------------------------------|---------------------------------|
| | Number outstanding at 1/31/07 | Weighted average remaining contractual life (years) | Weighted average exercise price | Number exercisable at 1/31/07 | Weighted average exercise price |
| \$16.50–\$24.75 | 910,782 | 5.2 | \$22.48 | 653,061 | \$21.78 |
| 24.76– 36.38 | 843,479 | 4.7 | 30.79 | 721,093 | 30.12 |
| 36.39– 37.04 | 1,277,590 | 9.2 | 36.95 | 5,175 | 36.85 |
| 37.06– 37.06 | 1,115,045 | 8.1 | 37.06 | 269,433 | 37.06 |
| 37.25– 41.01 | 539,547 | 2.6 | 39.80 | 493,195 | 39.85 |
| 41.08– 41.08 | 973,575 | 7.2 | 41.08 | 973,575 | 41.08 |
| 41.13– 51.38 | 1,110,203 | 5.0 | 43.43 | 1,102,563 | 43.44 |
| | <u>6,770,221</u> | 6.4 | 36.14 | <u>4,218,095</u> | 36.43 |

As discussed below, the Company also has performance-based RSUs and RSUs outstanding at January 31, 2007.

The Company's policy is to utilize shares of its treasury stock, to the extent available, for the exercise of awards. See further discussion of the Company's share repurchase program in Note 12—Shareholders' Equity below.

In February 2005, the Company's Board of Directors approved the acceleration of vesting for all stock options awarded in March

2004 to employees and officers under the Company's stock option award program. While the Company typically issues options that vest equally over four years, as a result of this vesting acceleration, stock options to purchase approximately 1.5 million shares of the Company's common stock became immediately exercisable. The grant prices of the affected stock options range from \$41.08 to \$41.64 and the closing price of the Company's common stock on February 24, 2005, was \$41.20. The vesting acceleration resulted

in an expense to the Company of less than \$0.1 million. The primary purpose of the accelerated vesting was to eliminate future compensation expense the Company would otherwise recognize in its statement of operations with respect to these accelerated options upon the adoption of SFAS No. 123R.

During the fiscal year ended January 31, 2007, the Company's Board of Directors approved the issuance of performance-based equity incentive awards in the form of RSUs under the Amended and Restated 2000 Equity Incentive Plan. The performance-based RSUs vest only upon achievement of certain performance measures based on cumulative earnings for defined periods ending January 31, 2008. The performance-based RSUs granted that could vest upon achievement of the performance targets range from 165,000 shares to 495,000 shares and have a weighted average grant price of \$35.08, using the weighted average of the closing price of the Company's common stock on the date of each of the grants. No compensation expense was recorded for these instruments during the year ended January 31, 2007 as the achievement of the performance targets is not currently deemed to be probable by the Company. The table above excludes the grant of these performance-based RSUs as none of these performance-based equity incentive awards are vested as of January 31, 2007. However, these restricted stock units have been considered in the table above in the determination of amounts available for grant under the Company's stock-based compensation plans.

In October 2006, the Company's Board of Directors approved the award of 60,000 shares of RSUs to the Company's recently appointed Chief Executive Officer, pursuant to the Company's Amended and Restated 2000 Equity Incentive Plan. These RSUs vest quarterly over three years and have a grant price of \$36.66, which represents the closing price of the Company's common stock on the date of grant. Compensation expense of \$0.2 million was recorded for these instruments during the year ended January 31, 2007. During the fiscal year ended January 31, 2007, 3,334 of these RSUs vested, with 56,666 remaining unvested as of January 31, 2007.

In December 2006, the Company's Board of Directors approved the award of 243,000 shares of RSUs. These RSUs vest over the following three fiscal years and have a grant price of \$41.99, which represents the closing price of the Company's common stock on the date of grant. Compensation expense of \$0.3 million was recorded for these instruments during the year ended January 31, 2007 and all of these RSUs remain unvested as of January 31, 2007.

Employee Stock Purchase Plan

Under the 1995 Employee Stock Purchase Plan (the "ESPP") approved in June 1995, the Company is authorized to issue up to 1,000,000 shares of common stock to eligible employees in the Company's U.S. and Canadian subsidiaries. Under the terms of the ESPP, employees can choose to have a fixed dollar amount or percentage deducted from their bi-weekly 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 in fair market value each calendar year. From the inception of the ESPP through January 31, 2007, the Company has sold 399,767 shares of common stock to the ESPP. All shares purchased under the ESPP must be held for a period of one year.

Pro Forma Effect of Stock Compensation Plans

As disclosed in Note 1—Business and Summary of Significant Accounting Policies, the Company has included the pro forma net income and pro forma earnings per share reflecting the compensation cost that the Company would have recorded on its equity incentive plans had it used the fair value at grant date for awards under the plans consistent with the method prescribed by SFAS No. 123, prior to the adoption of SFAS No. 123R effective February 1, 2006.

Retirement Savings Plan

The Company sponsors the Tech Data Corporation 401(k) Savings Plan ("the 401(k) Savings Plan") for its employees. At the Company's discretion, participant deferrals are matched monthly, in the form of company stock, in an amount equal to 50% of the first 6% of participant deferrals and participants are fully vested following four years of qualified service.

At January 31, 2007 and 2006, the number of shares of Tech Data common stock held by the Company's 401(k) Savings Plan totaled 270,000 and 329,000 shares, respectively.

Aggregate contributions made by the Company to the 401(k) Savings Plan were \$2.2 million, \$2.3 million and \$1.8 million for fiscal 2007, fiscal 2006 and fiscal 2005, respectively.

Notes to Consolidated Financial Statements

continued

NOTE 12—SHAREHOLDERS' EQUITY

In fiscal 2006, the Company's Board of Directors authorized a share repurchase program of up to \$200.0 million of the Company's common stock. As of January 31, 2007, the Company's share repurchase program authorized in fiscal 2006 is complete. The Company's share repurchases were made on the open market through block trades or otherwise and the number of shares purchased and the timing of the purchases was based on working capital requirements, general business conditions and other factors, including alternative investment opportunities. Shares repurchased by the Company are held in treasury for general corporate purposes, including issuances under equity incentive and employee benefit plans. During fiscal 2007, the Company repurchased 2,222,720 shares comprised of 2,220,132 shares purchased in conjunction with the Company's share repurchase program and 2,588 shares purchased outside of the stock repurchase program, at an average of \$36.03 per share, for a total cost, including expenses, of \$80.1 million. During fiscal 2006, the Company repurchased 3,443,131 shares comprised of 3,260,576 shares purchased in conjunction with the Company's share repurchase program and 182,555 shares purchased outside of the stock repurchase program, at an average of \$36.89 per share, for a total cost, including expenses, of approximately \$127.0 million.

NOTE 13—COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases logistics centers, office facilities and certain equipment under noncancelable operating leases, the majority of which expire at various dates through 2016. Fair value renewal and purchase options and escalation clauses exist for a substantial portion of the operating leases included above. Rental expense related to continuing operations for all operating leases, including minimum commitments under IT outsourcing agreements, totaled \$59.3 million, \$59.0 million and \$58.6 million in fiscal years 2007, 2006 and 2005, respectively. Future minimum lease payments at

January 31, 2007 under all such leases, including minimum commitments under IT outsourcing agreements, for succeeding fiscal years are as follows (in thousands):

| Fiscal year: | |
|---------------------|------------------|
| 2008..... | \$ 65,285 |
| 2009..... | 55,367 |
| 2010..... | 43,339 |
| 2011..... | 33,459 |
| 2012..... | 18,996 |
| Thereafter | 66,843 |
| Total payments..... | <u>\$283,289</u> |

Synthetic Lease Facility

The Company has a Synthetic Lease facility with a group of financial institutions under which the Company leases certain logistics centers and office facilities from a third-party lessor. The Synthetic Lease expires in fiscal year 2009, at which time the Company has the following options: renew the lease for an additional five years, purchase the properties at an amount equal to their cost, or remarket the properties. If the Company elects to remarket the properties, it has guaranteed the lessor a percentage of the cost of each of the properties, in an aggregate amount of approximately \$118.0 million (the "residual value"). At any time during the lease term, the Company may, at its option, purchase up to four of the seven properties, at an amount equal to each property's cost. The Company pays interest on the Synthetic Lease at LIBOR plus an agreed-upon margin. The Synthetic Lease contains covenants that must be complied with, similar to the covenants described in certain of the credit facilities discussed in Note 8—Revolving Credit Loans. The amount funded under the Synthetic Lease (approximately \$133.2 million at January 31, 2007) is treated as debt under the definition of the covenants required under both the Synthetic Lease and the credit facilities. As of January 31, 2007 the Company was in compliance with all such covenants.

In January 2007, the Company sold approximately 6 acres of excess land located in Miami, Florida. The sale was executed pursuant to the "excess sale" provisions of the Synthetic Lease agreement and resulted in a gain of \$3.6 million recorded during the

quarter ended January 31, 2007. This gain is included within SG&A in the Company's Consolidated Statement of Operations.

The sum of future minimum lease payments under the Synthetic Lease at January 31, 2007 was approximately \$13.5 million. Properties leased under the Synthetic Lease are located in Clearwater and Miami, Florida; Fort Worth, Texas; Fontana, California; Suwanee, Georgia; Swedesboro, New Jersey; and South Bend, Indiana.

On March 20, 2007, the Company amended the Synthetic Lease, the Receivables Securitization Program, the \$250.0 million Multi-currency Revolving Credit Facility. The primary purpose of these amendments was to obtain more favorable interest rates, lease rates and facility fees. (For further discussion of the Receivables Securitization Program and the \$250.0 million Multi-currency Revolving Credit Facility see Note 8—Revolving Credit Loans.)

The Synthetic Lease has been accounted for as an operating lease. FASB Interpretation ("FIN") No. 46 requires the Company to evaluate whether an entity with which it is involved meets the criteria of a variable interest entity ("VIE") and, if so, whether the Company is required to consolidate that entity. The Company has determined that the third-party lessor of its Synthetic Lease facility does not meet the criteria of a VIE and, therefore, is not subject to the consolidation provisions of FIN No. 46.

Contingencies

Prior to fiscal 2004, one of the Company's European subsidiaries was audited in relation to various value-added tax ("VAT") matters. As a result of those audits, the subsidiary received notices of assessment that allege the subsidiary did not properly collect and remit VAT. It is management's opinion, based upon the opinion of outside legal counsel, that the Company has valid defenses related to a substantial portion of these assessments. Although the Company is vigorously pursuing administrative and judicial action to challenge the assessments, no assurance can be given as to the ultimate outcome. The resolution of such assessments could be material to the Company's operating results for any particular period, depending upon the level of income for such period.

The Company is subject to various other legal proceedings and claims arising in the ordinary course of business. The Company's management does not expect that the outcome in any of these

other legal proceedings, individually or collectively, will have a material adverse effect on the Company's financial condition, results of operations, or cash flows.

Guarantees

As is customary in the IT industry, to encourage certain customers to purchase products from Tech Data, the Company has arrangements with certain finance companies that provide inventory financing facilities to the Company's customers. In conjunction with certain of these arrangements, the Company would be required to purchase certain inventory in the event the inventory is repossessed from the customers by the finance companies. As the Company does not have access to information regarding the amount of inventory purchased from the Company still on hand with the customer at any point in time, the Company's repurchase obligations relating to inventory cannot be reasonably estimated. Repurchases of inventory by the Company under these arrangements have been insignificant to date. The Company believes that, based on historical experience, the likelihood of a material loss pursuant to these inventory repurchase obligations is remote.

The Company provides additional financial guarantees to finance companies on behalf of certain customers. The majority of these guarantees are for an indefinite period of time, where the Company would be required to perform if the customer is in default with the finance company. The Company reviews the underlying credit for these guarantees on at least an annual basis. As of January 31, 2007 and January 31, 2006, the aggregate amount of guarantees under these arrangements totaled \$11.5 million and \$7.0 million, respectively, of which \$7.0 million and \$2.9 million, respectively, was outstanding. The Company believes that, based on historical experience, the likelihood of a material loss pursuant to the above guarantees is remote.

Additionally, in connection with the sale of the Training Business discussed in Note 3—Discontinued Operations, the Company continues to negotiate the assignment of several of the related facility lease obligations with the lessors of such properties. To the extent the lessors are unwilling to agree to a direct lease arrangement with the purchaser, the Company will remain liable in the event of

Notes to Consolidated Financial Statements

continued

default by the purchaser of the Training Business. The majority of these lease obligations expire at various dates over the next three years and would require the Company to make all required payments under the lease agreements in the event of default by the purchaser. The maximum potential amount of future payments (undiscounted) that the Company could be required to make under the guarantees is approximately \$8.2 million as of January 31, 2007. The Company believes that the likelihood of a material loss pursuant to these guarantees is remote.

The Company also provides residual value guarantees related to the Restructured Lease which have been recorded at the estimated fair value of the residual guarantees.

NOTE 14—SEGMENT INFORMATION

Tech Data operates predominately in a single industry segment as a distributor of IT products, logistics management, and other value-added services. While the Company operates primarily in one industry, because of its global presence, the Company is managed by its geographic segments. The Company's geographic segments include the Americas (including the United States, Canada, Latin America, and export sales to the Caribbean) and Europe, formerly referred to as EMEA (including Europe, the Middle East, and export sales to Africa). The Company assesses performance of and makes decisions on how to allocate resources to its operating segments based on multiple factors including current and projected operating income and market opportunities. The Company does not consider stock-based compensation expense recognized under SFAS No. 123R in assessing the performance of its operating segments, and therefore the Company is reporting stock-based compensation expense as a separate amount. The accounting policies of the segments are the same as those described in Note 1—Business and Summary of Significant Accounting Policies.

Financial information by geographic segment is as follows:

| | Year ended January 31, | | |
|-----------------------------------------------------------------|------------------------|--------------|--------------|
| | 2007 | 2006 | 2005 |
| | (In thousands) | | |
| Net sales to unaffiliated customers | | | |
| Americas ^(a) | \$ 9,965,074 | \$ 9,464,667 | \$ 8,482,511 |
| Europe | 11,475,371 | 11,018,184 | 11,248,405 |
| Total | \$21,440,445 | \$20,482,851 | \$19,730,917 |
| Operating (loss) income | | | |
| Americas | \$ 160,720 | \$ 154,839 | \$ 140,690 |
| Europe ^{(b)(c)} | (156,930) | 8,456 | 90,865 |
| Stock-based compensation expense recognized under SFAS No. 123R | (7,973) | — | — |
| Total | \$ (4,183) | \$ 163,295 | \$ 231,555 |
| Depreciation and amortization | | | |
| Americas | \$ 17,344 | \$ 16,290 | \$ 16,885 |
| Europe | 35,790 | 35,506 | 36,199 |
| Total | \$ 53,134 | \$ 51,796 | \$ 53,084 |
| Capital expenditures | | | |
| Americas | \$ 15,112 | \$ 24,454 | \$ 8,511 |
| Europe | 28,617 | 36,298 | 35,264 |
| Total | \$ 43,729 | \$ 60,752 | \$ 43,775 |
| Identifiable assets | | | |
| Americas ^(a) | \$ 1,601,962 | \$ 1,436,508 | |
| Europe | 3,101,902 | 2,968,126 | |
| Total | \$ 4,703,864 | \$ 4,404,634 | |
| Goodwill | | | |
| Americas | \$ 2,966 | \$ 2,966 | |
| Europe | — | 131,361 | |
| Total | \$ 2,966 | \$ 134,327 | |

(a) For the year ended January 31, 2007, net sales to unaffiliated customers in the US represented 86% of the total Americas net sales to unaffiliated customers, and represented 87% and 88%, respectively, of the total Americas net sales for the years ended January 31, 2006 and 2005. Identifiable assets in the US represented 89% of the Americas identifiable assets at January 31, 2007 and 79% of the America's identifiable assets at January 31, 2006.

(b) For the years ended January 31, 2007 and 2006, the amounts shown above include \$23.8 million and \$30.9 million, respectively, of restructuring charges related to the European restructuring program and \$8.6 million and \$9.6 million, respectively, in external consulting costs associated with the restructuring program (see also Note 7—Restructuring Program).

(c) For the year ended January 31, 2007, the amount shown above includes a non-cash charge of \$136.1 million for the goodwill impairment in Europe (see also Note 6—Goodwill and Intangible Assets).

NOTE 15—INTERIM FINANCIAL INFORMATION (UNAUDITED)

Interim financial information for fiscal years 2007 and 2006 is as follows. All periods presented have been restated to reflect the reclassification of the Training Business as discontinued operations.

| | Quarter ended | | | |
|-----------------------------------------------------------|--------------------|---------------------|--------------------|--------------------|
| | April 30, | July 31, | October 31, | January 31, |
| (In thousands, except per share amounts) | | | | |
| Fiscal year 2007 | | | | |
| Net sales | \$4,944,126 | \$4,943,281 | \$5,431,347 | \$6,121,691 |
| Gross profit | \$ 237,139 | \$ 225,610 | \$ 247,560 | \$ 296,462 |
| Income (loss) from continuing operations | \$ 8,945 | \$ (155,529) | \$ 9,598 | \$ 36,059 |
| Income from discontinued operations, net of tax | 3,946 | — | — | — |
| Net income (loss) | \$ 12,891 | \$ (155,529) | \$ 9,598 | \$ 36,059 |
| Income (loss) per share—basic: | | | | |
| Continuing operations | \$ 0.16 | \$ (2.81) | \$ 0.18 | \$ 0.66 |
| Discontinued operations | 0.07 | — | — | — |
| Net income (loss) per share | \$ 0.23 | \$ (2.81) | \$ 0.18 | \$ 0.66 |
| Income (loss) per share—diluted: | | | | |
| Continuing operations | \$ 0.16 | \$ (2.81) | \$ 0.18 | \$ 0.66 |
| Discontinued operations | 0.07 | — | — | — |
| Net income (loss) per share | \$ 0.23 | \$ (2.81) | \$ 0.18 | \$ 0.66 |
| Fiscal year 2006 | | | | |
| Net sales | \$5,063,691 | \$4,813,850 | \$5,073,955 | \$5,531,355 |
| Gross profit | \$ 264,126 | \$ 239,950 | \$ 250,986 | \$ 267,457 |
| Income from continuing operations | \$ 32,666 | \$ (60,118) | \$ 21,921 | \$ 28,498 |
| Income from discontinued operations, net of tax | 857 | 704 | 1,043 | 1,015 |
| Net income | \$ 33,523 | \$ (59,414) | \$ 22,964 | \$ 29,513 |
| Income per share—basic: | | | | |
| Continuing operations | \$ 0.56 | \$ (1.03) | \$ 0.38 | \$ 0.50 |
| Discontinued operations | 0.01 | .01 | 0.02 | 0.02 |
| Net income per share | \$ 0.57 | \$ (1.02) | \$ 0.40 | \$ 0.52 |
| Income per share—diluted: | | | | |
| Continuing operations | \$ 0.55 | \$ (1.03) | \$ 0.38 | \$ 0.50 |
| Discontinued operations | 0.01 | .01 | 0.02 | 0.02 |
| Net income per share | \$ 0.56 | \$ (1.02) | \$ 0.40 | \$ 0.52 |

Notes to Consolidated Financial Statements

continued

Net income for the quarter ended January 31, 2007 includes a \$3.6 million gain on the sale of land under the Company's Synthetic Lease, which increased diluted earnings per share from continuing operations by \$0.04 per share for the quarter ended January 31, 2007.

Net loss for the quarter ended July 31, 2006 includes a \$136.1 million goodwill impairment in Europe and an \$8.4 million increase in the valuation allowance recorded against deferred tax assets related to specific jurisdictions in Europe, which increased diluted loss per share from continuing operations by \$2.61 per share for the quarter ended July 31, 2006.

Net loss in the quarter ended July 31, 2005 includes a \$56.0 million increase in the valuation allowance recorded against deferred tax assets related to specific jurisdictions in Europe, primarily Germany, which increased diluted loss per share from continuing operations by \$0.96 per share for the quarter ended July 31, 2005.

NOTE 16—SUBSEQUENT EVENT

In late March 2007, the Company made the decision to close its operations in the United Arab Emirates. As a result of this closure, the Company expects to incur operating losses and other cash charges in the first half of fiscal 2008 of approximately \$5.0 million to \$7.0 million. In addition, the Company will also record approximately \$7.0 million to \$9.0 million of foreign currency exchange losses previously recorded in shareholders' equity as accumulated other comprehensive (loss) income. The Company's accumulated other comprehensive (loss) income is comprised of foreign currency translation adjustments ("CTA") relating to the net assets of the Company's international subsidiaries (as further discussed in Note 1—Business and Summary of Significant Accounting Policies).

Risk Factors

The following are certain risk factors that could affect our business, financial position and results of operations. These risk factors should be considered in connection with evaluating the forward-looking statements contained in this Annual Report because these factors could cause the actual results and conditions to differ materially from those projected in the forward-looking statements. Before you buy our common stock or other securities, you should know that making such an investment involves risks, including the risks described below. The risks that have been highlighted below

are not the only risks of our business. If any of the risks actually occur, our business, financial condition or results of operations could be negatively affected. In that case, the trading price of our common stock or other securities could decline, and you may lose all or part of your investment. Certain risk factors that could cause actual results to differ materially from our forward-looking statements include the following:

Competition

The Company operates in a highly competitive environment. The computer wholesale distribution industry is characterized by intense competition, based primarily on product availability, credit availability, price, speed of delivery, ability to tailor specific solutions to customer needs, quality and depth of product lines and training, service and support. Weakness in demand in the market intensifies the competitive environment in which the Company operates. The Company competes with a variety of regional, national and international wholesale distributors, some of which have greater financial resources than the Company. The Company also faces competition from companies entering or expanding into the logistics and product fulfillment and e-commerce supply chain services market.

Narrow Profit Margins

As a result of intense price competition in the industry, the Company has narrow gross profit and operating profit margins. These narrow margins magnify the impact on operating results attributed to variations in sales and operating costs. Future gross profit and operating margins may be adversely affected by changes in product mix, vendor pricing actions and competitive and economic pressures. In addition, failure to attract new sources of business from expansion of products or services or entry into new markets may adversely affect future gross profit and operating margins.

Dependence on Information Systems

The Company is highly dependent upon its internal computer and telecommunication systems to operate its business. There can be no assurance that the Company's information systems will not fail or experience disruptions, that the Company will be able to attract and retain qualified personnel necessary for the operation of such systems, that the Company will be able to expand and improve its information systems, that the Company will be able to convert to new systems efficiently, or that the Company will be able to integrate new programs effectively with its existing programs.

Any of such problems could have an adverse effect on the Company's business.

Acquisitions

As part of its growth strategy, the Company pursues the acquisition of companies that either complement or expand its existing business. As a result, the Company regularly evaluates potential acquisition opportunities, which may be material in size and scope. Acquisitions involve a number of risks and uncertainties, including expansion into new geographic markets and business areas, the requirement to understand local business practices, the diversion of management's attention to the assimilation of the operations and personnel of the acquired companies, the possible requirement to upgrade the acquired companies' management information systems to the Company's standards, potential adverse short-term effects on the Company's operating results and the amortization or impairment of any acquired intangible assets.

Exposure to Natural Disasters, War, and Terrorism

The Company's headquarters facilities and some of its logistics centers as well as certain vendors and customers are located in areas prone to natural disasters such as floods, hurricanes, tornadoes, or earthquakes. In addition, demand for the Company's services is concentrated in major metropolitan areas. Adverse weather conditions, major electrical failures or other natural disasters in these major metropolitan areas may disrupt the Company's business should its ability to distribute products be impacted by such an event.

The Company operates in multiple geographic markets, several of which may be susceptible to acts of war and terrorism. The Company's business could be adversely affected should its ability to distribute products be impacted by such events.

The Company and many of its suppliers receive parts and products from Asia and operate in many parts of the world that may be susceptible to disease or epidemic that may disrupt the Company's ability to receive or deliver products or other disruptions in operations.

Dependence on Independent Shipping Companies

The Company relies on arrangements with independent shipping companies, such as Federal Express and United Parcel Service, for the delivery of its products from vendors and to customers. The failure or inability of these shipping companies to deliver products, or the unavailability of their shipping services, even temporarily, could have a material adverse effect on the Company's business. The Company may also be adversely affected by an

increase in freight surcharges due to rising fuel costs and added security. There can be no assurance that Tech Data will be able to pass along the full effect of an increase in these surcharges to its customers.

Labor Strikes

The Company's labor force is currently non-union with the exception of employees of certain European and Latin American subsidiaries, which are subject to collective bargaining or similar arrangements. The Company does business in certain foreign countries where labor disruption is more common than is experienced in the United States and some of the freight carriers used by the Company are unionized. A labor strike by a group of the Company's employees, one of the Company's freight carriers, one of its vendors, a general strike by civil service employees, or a governmental shutdown could have an adverse effect on the Company's business. Many of the products the Company sells are manufactured in countries other than the countries in which the Company's logistics centers are located. The inability to receive products into the logistics centers because of government action or labor disputes at critical ports of entry may have a material adverse effect on the Company's business.

Risk of Declines in Inventory Value

The Company is subject to the risk that the value of its inventory will decline as a result of price reductions by vendors or technological obsolescence. It is the policy of most of the Company's vendors to protect distributors from the loss in value of inventory due to technological change or the vendors' price reductions. Some vendors, however, may be unwilling or unable to pay the Company for price protection claims or products returned to them under purchase agreements. Moreover, industry practices are sometimes not embodied in written agreements and do not protect the Company in all cases from declines in inventory value. No assurance can be given that such practices to protect distributors will continue, that unforeseen new product developments will not adversely affect the Company, or that the Company will be able to successfully manage its existing and future inventories.

Product Availability

The Company is dependent upon the supply of products available from its vendors. The industry is characterized by periods of severe product shortages due to vendors' difficulties in projecting demand for certain products distributed by the Company. When such product shortages occur, the Company typically receives an

allocation of product from the vendor. There can be no assurance that vendors will be able to maintain an adequate supply of products to fulfill all of the Company's customer orders on a timely basis. Failure to obtain adequate product supplies could have an adverse effect on the Company's business.

Vendor Terms and Conditions

The Company relies on various rebates, cash discounts, and cooperative marketing programs offered by its vendors to support expenses associated with distributing and marketing the vendors' products. Currently, the rebates and purchase discounts offered by vendors are influenced by sales volumes and percentage increases in sales, and are subject to changes by the vendors. Additionally, certain of the Company's vendors subsidize floorplan financing arrangements for the benefit of our customers. Terminations of a supply or services agreement or a significant change in supplier terms or conditions of sale could negatively affect our operating margins, revenue or the level of capital required to fund our operations.

The Company receives a significant percentage of revenues from products it purchases from relatively few manufacturers. As has historically been the case, a manufacturer may make rapid, significant and adverse changes in its sales terms and conditions, such as reducing the amount of price protection and return rights as well as reducing the level of purchase discounts and rebates they make available to us, or may merge with or acquire other significant manufacturers. The Company's gross margins could be materially and negatively impacted if the Company is unable to pass through the impact of these changes to the Company's customers or cannot develop systems to manage ongoing supplier programs. In addition, the Company's standard vendor distribution agreement permits termination without cause by either party upon 30 days notice. The loss of a relationship with any of the Company's key vendors, a change in their strategy (such as increasing direct sales), the merging of significant manufacturers, or significant changes in terms on their products may adversely effect the Company's business.

Loss of Significant Customers

Customers do not have an obligation to make purchases from the Company. In some cases, the Company has made adjustments to its systems, vendor offerings, and processes, and made staffing decisions, in order to accommodate the needs of a significant customer. In the event a significant customer decides to make its

purchases from another distributor, experiences a significant change in demand from its own customer base, becomes financially unstable, or is acquired by another company, the Company's receipt of revenues may be significantly affected, resulting in an adverse effect on the Company's business.

Customer Credit Exposure

The Company sells its products to a large customer base of value-added resellers, direct marketers, retailers and corporate resellers. The Company finances a significant portion of such sales through trade credit. As a result, the Company's business could be adversely affected in the event of a deterioration of the financial condition of its customers, resulting in the customers' inability to repay the Company. This risk may increase if there is a general economic downturn affecting a large number of the Company's customers and in the event the Company's customers do not adequately manage their business or properly disclose their financial condition.

Need for Liquidity and Capital Resources; Fluctuations in Interest Rates

The Company's business requires substantial capital to operate and to finance accounts receivable and product inventory that are not financed by trade creditors. The Company has historically relied upon cash generated from operations, bank credit lines, trade credit from its vendors, proceeds from public offerings of its common stock and proceeds from debt offerings to satisfy its capital needs and finance growth. The Company utilizes various financing instruments such as receivables securitization, leases, revolving credit facilities and trade receivable purchase facilities. As the financial markets change and new regulations come into effect, the cost of acquiring financing and the methods of financing may change. Changes in our credit rating or other market factors may increase our interest expense or other costs of capital, or capital may not be available to us on acceptable terms to fund our working capital needs. The inability to obtain such sources of capital could have an adverse effect on the Company's business. The Company's credit facilities contain various financial and other covenants that may limit the Company's ability to borrow or limit the Company's flexibility in responding to business conditions. These financing instruments involve variable rate debt, thus exposing the Company to risk of fluctuations in interest rates. Such fluctuations in interest rates could have an adverse effect on the Company's business.

Foreign Currency Exchange Risks; Exposure to Foreign Markets

The Company conducts business in countries outside of the United States, which exposes the Company to fluctuations in foreign currency exchange rates. The Company may enter into short-term forward exchange or option contracts to hedge this risk; nevertheless, fluctuations in foreign currency exchange rates could have an adverse effect on the Company's business. In particular, the value of the Company's equity investment in foreign countries may fluctuate based upon changes in foreign currency exchange rates. These fluctuations, which are recorded in a cumulative translation adjustment account, may result in losses in the event a foreign subsidiary is sold or closed at a time when the foreign currency is weaker than when the Company initially invested in the country.

The Company's international operations are subject to other risks such as the imposition of governmental controls, export license requirements, restrictions on the export of certain technology, political instability, trade restrictions, tariff changes, difficulties in staffing and managing international operations, changes in the interpretation and enforcement of laws (in particular related to items such as duty and taxation), difficulties in collecting accounts receivable, longer collection periods and the impact of local economic conditions and practices. There can be no assurance that these and other factors will not have an adverse effect on the Company's business.

Changes in Income Tax and Other Regulatory Legislation

The Company operates in compliance with applicable laws and regulations. When new legislation is enacted with minimal advance notice, or when new interpretations or applications of existing laws are made, the Company may need to implement changes in its policies or structure.

In addition, recent legislation requires all member states of the European Union to adopt the European Directive 2002/96/EC regarding Waste in Electrical and Electronic Equipment ("WEEE Directive") and 2002/95/EC regarding restrictions of the use of certain hazardous substances in electrical and electronic equipment ("RoHS Directive") into national law. The manner and timing of adoption of these laws impacts the Company as, in some countries, it remains unclear to what extent and the manner in which the Company will be subject to compliance with these regulations and the financial costs and guarantees thereby required.

The Company makes plans for its structure and operations based upon existing laws and anticipated future changes in the law. The Company is susceptible to unanticipated changes in legislation, especially relating to income and other taxes, import/export laws, hazardous materials and electronic waste recovery legislation, and other laws related to trade, accounting, and business activities. Such changes in legislation, both domestic and international, may have a significant adverse effect on the Company's business.

Changes in Accounting Rules

The Company prepares its financial statements in conformity with accounting principles generally accepted in the United States. These accounting principles are subject to interpretation by the Financial Accounting Standards Board, the Public Company Accounting Oversight Board, the Securities and Exchange Commission, the American Institute of Certified Public Accountants and various other bodies formed to interpret and create appropriate accounting policies. A change in these policies or a new interpretation of an existing policy could have a significant effect on our reported results and may affect our reporting of transactions before a change is announced.

Volatility of Common Stock Price

Because of the foregoing factors, as well as other variables affecting the Company's operating results, past financial performance should not be considered a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods. In addition, the Company's participation in a highly dynamic industry often results in significant volatility of the common stock price. Some of the factors that may affect the market price of the common stock, in addition to those discussed above, are changes in investment recommendations by securities analysts, changes in market valuations of competitors and key vendors, and fluctuations in the overall stock market, but particularly in the technology sector.

Market for the Registrant's Common Stock, Related Shareholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on the NASDAQ Stock Market under the symbol "TECD." We have not paid cash dividends since fiscal 1983 and the Board of Directors has no current plans to institute a cash dividend payment policy in the foreseeable future. The table to the right presents the quarterly high and low sale prices for our common stock as reported by the NASDAQ Stock Market. As of March 1, 2007, there were 368 holders of record. We believe that there are approximately 44,000 beneficial holders.

| | Sales Price | |
|-----------------------------|----------------|----------------|
| | High | Low |
| Fiscal year 2007 | | |
| Fourth quarter | \$43.74 | \$36.23 |
| Third quarter | \$40.00 | \$32.10 |
| Second quarter | \$38.75 | \$33.99 |
| First quarter | \$42.65 | \$34.94 |
| <hr/> | | |
| | High | Low |
| Fiscal year 2006 | | |
| Fourth quarter | \$42.10 | \$34.21 |
| Third quarter | \$39.50 | \$33.80 |
| Second quarter | \$39.11 | \$33.04 |
| First quarter | \$43.56 | \$33.82 |

Equity Compensation and Stock Purchase Plan Information

The number of shares issuable upon exercise of outstanding share-based equity incentives granted to employees and non-employee directors, as well as the number of shares remaining available for future issuance, under our equity compensation and stock purchase plans as of January 31, 2007 are summarized in the following table:

| Plan category | Number of shares to be issued upon exercise of outstanding share-based incentives | Weighted average exercise price of outstanding share-based incentives | Number of shares remaining available for future issuance under equity compensation plans |
|----------------------------------------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------|------------------------------------------------------------------------------------------|
| Equity compensation plans approved by shareholders for: | | | |
| Employee equity compensation | 6,124,592 | \$35.83 | 3,228,502 |
| Employee stock purchase | — | — | 600,233 |
| Non-employee directors' equity compensation | 101,500 | \$34.93 | — |
| Total | 6,226,092 | \$35.81 | 3,828,735 |
| Employee equity compensation plan not approved by shareholders | 984,533 | \$38.12 | — |
| Total | 7,210,625 | \$36.13 | 3,828,735 |

Unregistered Sales of Equity Securities

None.

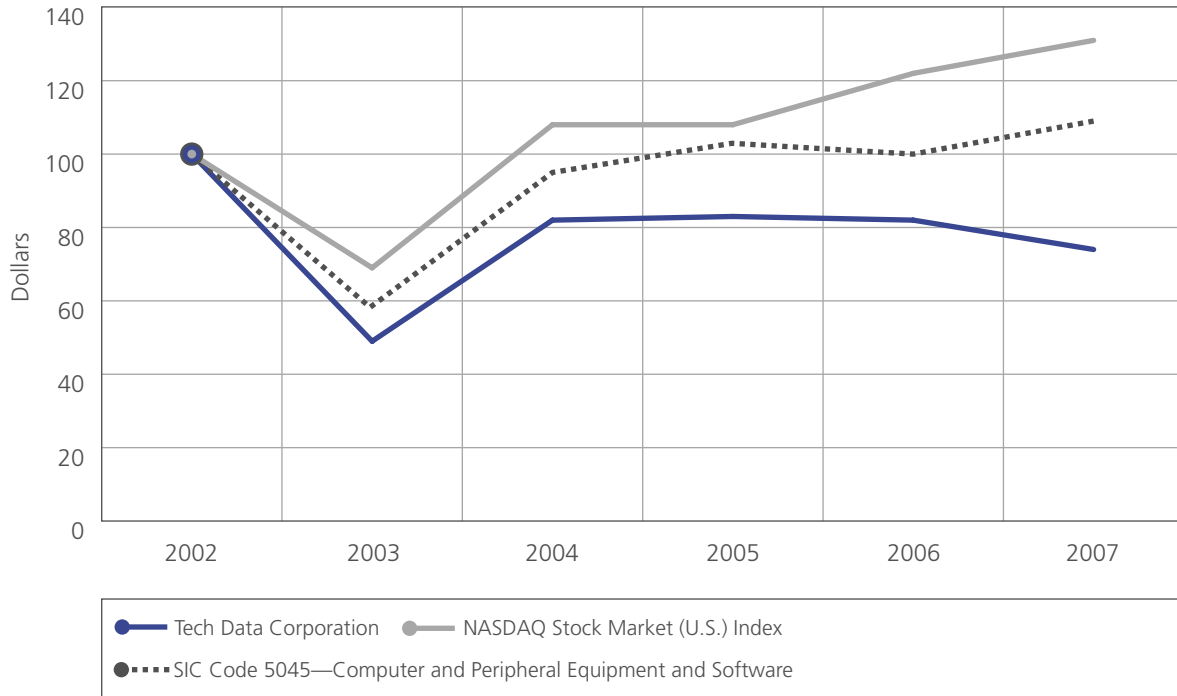
Issuer Purchases of Equity Securities

In March 2005, our Board of Directors authorized a share repurchase program of up to \$100.0 million of the Company's common stock (increased to \$200.0 million in November 2005). As of October 31, 2006, the Company's share repurchase program

authorized in fiscal 2006 was completed. The share repurchases were made on the open market, through block trades or otherwise. The number of shares purchased and the timing of the purchases were based on working capital requirements, general business conditions and other factors, including alternative investment opportunities. Shares repurchased by the Company are held in treasury for general corporate purposes, including issuances under equity incentive and benefit plans.

Stock Performance Chart

Comparison of Five-Year Cumulative Total Return
 Assumes Initial Investment of \$100 on February 1, 2002 ⁽¹⁾
 Tech Data Corporation, NASDAQ Stock Market (U.S.) Index and SIC Code 5045



(1) The comparisons are provided in response to Securities and Exchange Commission requirements and are not intended to forecast or be indicative of Tech Data's future stock performance.

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|--------------------------------------------------------------|------|------|------|------|------|------------|
| Tech Data Corporation | 100 | 49 | 82 | 83 | 82 | 74 |
| NASDAQ Stock Market (U.S.) Index | 100 | 69 | 108 | 108 | 122 | 131 |
| SIC Code 5045—Computer and Peripheral Equipment and Software | 100 | 58 | 95 | 103 | 100 | 109 |

GAAP to Non-GAAP Reconciliation (Unaudited)

| | Year ended January 31, | | |
|--------------------------------------------------------------------------------|---------------------------------------------|-----------|-----------|
| | 2007 | 2006 | 2005 |
| | (In thousands, except per share amounts) | | |
| Operating Income | | | |
| GAAP operating (loss) income | \$ (4,183) | \$163,295 | \$231,555 |
| Goodwill impairment | 136,093 | — | — |
| Restructuring charges | 23,764 | 30,946 | — |
| Other costs ⁽¹⁾ | 8,596 | 9,632 | — |
| Non-GAAP operating income | \$ 164,270 | \$203,873 | \$231,555 |
| Net Income | | | |
| GAAP (loss) income from continuing operations | \$(100,927) | \$ 22,967 | \$159,622 |
| Discontinued operations, net of tax | 3,946 | 3,619 | 2,838 |
| GAAP net (loss) income | \$ (96,981) | \$ 26,586 | \$162,460 |
| Goodwill impairment | 136,093 | — | — |
| Restructuring charges | 23,764 | 30,946 | — |
| Other costs ⁽¹⁾ | 8,596 | 9,632 | — |
| Tax effect on restructuring charges and other costs | (2,502) | (1,603) | — |
| Reversal of previously accrued income taxes | — | — | (11,535) |
| Deferred tax assets valuation allowance | 8,352 | 56,039 | — |
| Non-GAAP net income | \$ 77,322 | \$121,600 | \$150,925 |
| Net Income per Diluted Share | | | |
| GAAP (loss) income per diluted share from continuing operations ⁽²⁾ | \$ (1.83) | \$.39 | \$ 2.69 |
| Discontinued operations, net of tax | .07 | .06 | .05 |
| GAAP net (loss) income per diluted share | \$ (1.76) | \$.45 | \$ 2.74 |
| Goodwill impairment | 2.46 | — | — |
| Restructuring charges | .43 | .53 | — |
| Other costs ⁽¹⁾ | .16 | .16 | — |
| Tax effect on restructuring charges and other costs | (.04) | (.03) | — |
| Reversal of previously accrued income taxes | — | — | (.19) |
| Deferred tax assets valuation allowance | .15 | .96 | — |
| Non-GAAP net income per diluted share | \$ 1.40 | \$ 2.08 | \$ 2.55 |
| Weighted average common shares outstanding | | | |
| Basic | 55,129 | 57,749 | 58,176 |
| Diluted | 55,289 | 58,414 | 59,193 |

(1) Other costs represent consulting costs related to the company's European restructuring program.

(2) Net loss per share for the fiscal year ended January 31, 2007 is calculated using basic weighted average common shares outstanding.

Corporate Information



The Difference in DistributionSM

Board of Directors

Steven A. Raymund

Chairman of the Board of Directors
Tech Data Corporation

Charles E. Adair

Partner,
Cordova Ventures

Maximilian Ardel

Managing Director,
ConDigit Consult GmbH

Robert M. Dutkowsky

Chief Executive Officer,
Tech Data Corporation

Jeffery P. Howells

Executive Vice President and
Chief Financial Officer,
Tech Data Corporation

Kathy Misunas

Founder and Principal,
Essential Ideas

Thomas I. Morgan

Retired Chief Executive Officer,
Hughes Supply, Inc.

David M. Upton

Albert J. Weatherhead III
Professor of Business Administration,
Technology and Operations Management,
Harvard Business School

John Y. Williams

Managing Director,
Equity-South Advisors, LLC

Corporate Headquarters

Tech Data Corporation
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Clearwater, FL 33760
727-539-7429
www.techdata.com

Independent Registered Certified Public Accounting Firm

Ernst & Young LLP, Tampa, FL

Ethics Reporting Hotline

866-TD ETHIC—866-833-8442

Stock Listing

The NASDAQ Stock Market, Inc.
Ticker symbol: TECD

Officers

Robert M. Dutkowsky

Chief Executive Officer

Jeffery P. Howells

Executive Vice President and
Chief Financial Officer

Néstor Cano

President, Worldwide Operations

Kenneth Lamneck

President, the Americas

Joseph A. Osbourn

Executive Vice President and
Chief Information Officer

Charles V. Dannewitz

Senior Vice President, Tax and Treasurer

William K. Todd, Jr.

Senior Vice President, Logistics and
Integration Services

Joseph B. Trepani

Senior Vice President,
Corporate Controller

David R. Vetter

Senior Vice President, General Counsel
and Secretary

Transfer Agent

Mellon Investor Services, LLC
P.O. Box 3315
South Hackensack, NJ 07606
866-357-3551
www.melloninvestor.com/isd

Annual Meeting of Shareholders

All interested parties are cordially invited to attend the Annual Meeting of Shareholders on Tuesday, June 5th, 2007 at 4:00 p.m. at the company headquarters, 5350 Tech Data Drive, Clearwater, FL 33760.

Financial Reports

Financial reports, including Form 10-K and annual reports, can be accessed online at: techdata.com. You may also obtain a copy upon written request to:

Tech Data Corporation
Attention: Investor Relations
5350 Tech Data Drive
Clearwater, FL 33760

Investor Inquiries

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Fax: 727-538-5860
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