

To Our Stockholders:

Fiscal Year 2008 was the first full year operating as a combined company since Quantum's acquisition of ADIC in August 2006. During the year, we completed the integration, made significant progress in improving our core operating model and further refined our strategic focus. As a result, today Quantum is a \$1 billion storage company with a tape business that is more profitable than it has been in recent years and that is centered on the strongest segments of the tape market. In addition, we have a growth platform in disk and software that encompasses data de-duplication, one of the hottest areas of storage.

Our strategy moving forward is to build on this foundation and further enhance our ability to deliver backup, recovery and archive solutions that extend from remote and distributed offices at the edge to central data centers at the core. This will involve deeper integration of our disk, tape, and software assets, as well as common management, broad-based security, and comprehensive service and support. All of this, along with our long-standing expertise in data protection, positions Quantum very well as storage administrators continue to struggle with the ever-increasing growth of data, shrinking backup windows, demand for faster restores, compliance and security issues, power and cooling costs, and ongoing budget and resource constraints.

The past year was primarily about transitioning to this new strategy:

- We shifted our investments to create greater growth potential, reducing and optimizing tape R&D while increasing investment in disk and software development and our branded sales and marketing capabilities.
- We moved away from lower margin business and focused on higher margin sales opportunities, as reflected by an increase in branded revenue.
- We took a significant amount of cost out of the combined business.
- We introduced our new DXi7500 enterprise disk backup system with policy-based de-duplication and replication, which serves as the anchor for our DXi-Series platform.

As a result of these actions, we demonstrated significant improvement in our financial model. Driven by a solid increase in gross margins and continued management of expenses, both operating income and net income for FY08 were the highest they've been in five years, when intangibles amortization, stock-based compensation, acquisition-related expenses and debt refinancing costs are excluded. In addition, we showed strong cash generation and improved our debt structure, paying down debt and refinancing on more favorable terms. As of the end of FY08, we had reduced our ADIC acquisition-related debt by 32 percent in just a little over 19 months.

While we feel very good about this progress, we fell short of our goals for growing our overall branded business and our disk and software revenue. Addressing these gaps is our top priority this year, and we believe the recent general availability launch of DXi7500, software licensing agreement with EMC, and changes we've made in Sales and Marketing will all help in this regard.

With the launch of the DXi7500, we can now provide customers with end-to-end de-duplication and replication through a single family of disk-based solutions that also integrates closely with tape and, together, can all be deployed under a common management system. In addition, beyond providing the capacity, performance, scalability and availability required in enterprise environments, the DXi7500 is the first solution in the industry that provides policy-based de-duplication. Highlighting the flexibility of the DXi7500, this means that customers can choose the de-duplication method that best meets their needs for a specific backup job instead of being constrained by the limitations other vendors impose with a "one size fits all" approach.

Our leadership in de-duplication technology is also reflected in EMC's decision to license our de-duplication and replication software, which builds on the strong relationship we already have through EMC's reselling of our midrange and enterprise tape libraries. As EMC has stated, they looked at the target-based de-duplication software of all the major players in the market and concluded that Quantum's technology was clearly best suited to meet the needs of their customers. EMC has incorporated this software into three new products, which will generate licensing revenue for Quantum.

Finally, we expect to grow our branded revenue through various changes we've made in Sales and Marketing. This includes realigning our North American Sales organizational structure to create stronger territories with greater opportunity to win deals, improving our lead generation program, better leveraging the DXi specialist team we created last year to support end-to-end solution sales and implementation, and enhancing our engagement with top channel partners, independent software vendors and server virtualization providers.

In closing, despite some of the challenges we had over the past year, there is much that we accomplished, and we laid the foundation for greater success in FY09. We have a clearly defined strategy and set of priorities, are well-positioned in one of the highest growth segments of storage (data de-duplication), and have a unique combination of assets and expertise to address the evolving challenges customers face in backup, recovery and archive – challenges which they continue to identify as among their top pain points in storage. Our focus in the coming year is to leverage these strengths and opportunities to generate higher-margin branded revenue growth while continuing to execute on our core operating model.

We thank you for your continued support.

Rick Belluzzo



Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995 for Quantum Corporation

This letter contains certain "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. Specifically, the statements relating to: (1) our expectations regarding growing our business; (2) our expectations regarding the performance of our products, including the DXi7500; and (3) our expectations regarding future revenue, including our branded business revenue and our revenue generated from our new licensing arrangement with EMC, are forward-looking statements within the meaning of the Safe Harbor. These statements are based on management's current expectations and are subject to risks and uncertainties that could cause actual results to differ materially. Factors that could cause actual results to differ materially from those described herein include, but are not limited to, operational difficulties, unforeseen technical limitations, unexpected material deviation in product operation, the ability of competitors to introduce new solutions that compete more successfully with our solutions, unexpected changes in market conditions and unanticipated changes in customers' needs or requirements. More detailed information about these risks, and additional risks, are set forth under "Risk Factors" on pages 11-22 in the Company's Form 10-K for the annual period ended March 31, 2008 included with this letter. Quantum expressly disclaims any obligation to update or alter its forward-looking statements, whether as a result of new information, future events or otherwise.