

Advanced Digital Information Corporation

2003 ANNUAL REPORT

03

FISCAL 2003 CUSTOMER HIGHLIGHTS

□ **TURNER BROADCASTING**
streamlines digital content
delivery with ADIC software



□ **MICROSOFT GAME STUDIOS**
protects business-critical data
with ADIC equipment

CORPORATE EXPRESS
turns to ADIC to increase
backup reliability and
data security



□ **CGG improves business
efficiency with an ADIC
data management
solution**

FELLOW SHAREHOLDERS:

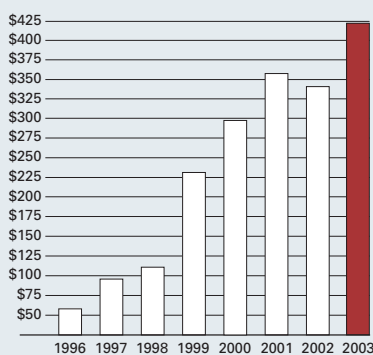
The booming nineties, followed by the telecom bust, Internet meltdown, and devastation of September 11, have made the last few years among the most challenging in memory.

Fortunately, recent economic data confirms that the U.S. is recovering at last. Outside the U.S., China's boom continues, Japan is showing increased economic vitality, and our crucial European markets appear stable. In short, it looks as if 2004 and 2005 may be years in which economic conditions will benefit rather than limit our success.

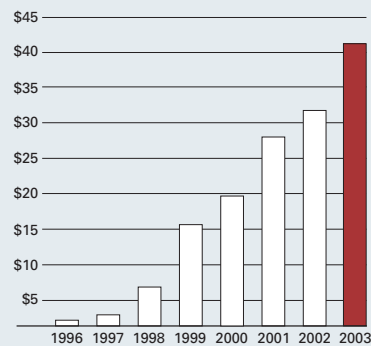
I believe these should be very good years for ADIC if we can navigate a growing economy as effectively as we have weathered the technology recession.

Fiscal 2003 demonstrated the success of our recession strategy. During 2002, we used the downturn to increase our investments in R&D, sales channels, and marketing, despite experiencing our first annual sales decline in the 12 years our results had been publicly reported. A year later, we saw sales increase by 26 percent to an all-time record of \$424 million, with each successive quarter in fiscal 2003 bringing a record for sales in any quarter. And gross margin as a percentage of sales increased nearly four percentage points, with annual operating profit improving by nearly \$23 million.

While we outperformed many of our peers in 2002 and 2003, these results are not good enough. During the recession, ADIC made significant and planned spending increases in an effort to build the right team and products for the future. We hired terrific people and our head count grew each year at a time few others were hiring. Sales and marketing was strengthened. We introduced several groundbreaking new products, including an upgraded StorNext® Management Suite, the hugely successful Scalar® 24, our innovative Scalar i2000 automated tape library, and, most recently, the Pathlight® VX disk-to-tape backup solution.



ANNUAL REVENUES
(in millions)



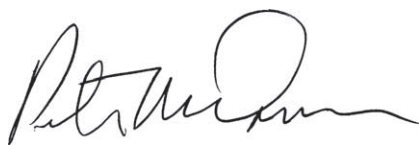
RESEARCH & DEVELOPMENT EXPENSES
(in millions)

But, the essential validation of our strategy must come in 2004 and 2005. Improving gross margins, moderating growth in operating expenses, a portfolio of innovative hardware and software products serving broader markets, and, above all, a talented team should pay great dividends in a healthier global economy.

The strategic pieces are in place for ADIC to be a leader among storage companies. In addition to focusing on our standalone software products, we are emphasizing software as the key element in our Intelligent Storage™ Solutions (ISS) hardware products. ADIC Global Services now has more team members than any other part of the business, as we focus on helping customers solve enterprise-class storage problems. Our sales and marketing channels are robust, with about half of our sales coming through strengthened ADIC-branded channels, while OEM relationships with partners like Cray, Dell, Fujitsu Siemens, HP, IBM, and Sun Microsystems continue to grow. Finally, we have recently increased our operational capabilities by concluding an expanded outsourcing agreement with a major contract manufacturer.

We will concentrate our efforts and resources on those elements that differentiate our products and services. If we maintain that focus, we will continue to thrive and generate increasing benefits for our customers, shareholders, team members, and suppliers. With an improving economy, the wind is at our back.

Thank you for your continued support.

A handwritten signature in black ink, appearing to read 'Peter van Oppen', with a large, stylized initial 'P'.

Peter H. van Oppen, Chairman and CEO

*“While we outperformed many of our peers in 2002 and 2003...
the essential validation of our strategy must come in 2004 and 2005.”*

Peter van Oppen, Chairman and CEO

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10:00 a.m.

March 10, 2004

Silver Cloud Inn
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Advanced Digital Information Corporation
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ADIC GLOBAL HEADQUARTERS

11431 Willows Road NE
P.O. Box 97057
Redmond, WA 98073-9757 USA

Toll-free: 800.336.1233
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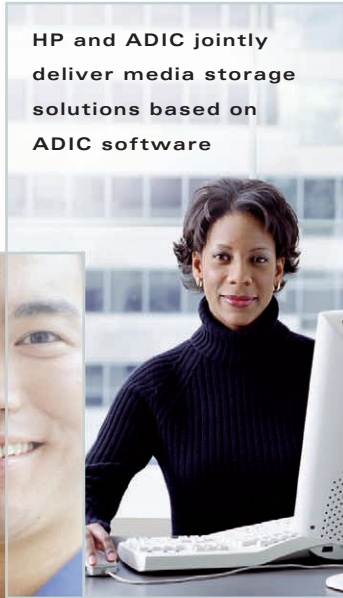
□ **CRAY, INC.** uses ADIC's file system software in its most powerful supercomputers



DELL, IBM, and SUN rely on ADIC as an OEM partner for tape backup products



HP and ADIC jointly deliver media storage solutions based on ADIC software



□ **FUJITSU SIEMENS COMPUTERS** teams with ADIC to bring storage solutions to companies across Europe, the Middle East, and Africa



ADIC's OEM PARTNERS



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11431 Willows Road NE
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ADIC EMEA

ZAC des Basses Auges
1, rue Alfred de Vigny
78112 Fourqueux
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Phone: **+33 (0)1 30.87.53.00**
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ADIC ASIA PACIFIC

18th Floor
One International Finance Centre
1 Harbour View Street
Central Hong Kong SAR

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