SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X]ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 2000

OR

[_]TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 0-12390

QUANTUM CORPORATION
(Exact name of Registrant as specified in its charter)

<TABLE>
<S> <C>

Delaware	94-2665054
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
500 McCarthy Blvd., Milpitas, California	95035
(Address of Principal Executive Offices)	(Zip Code)

</TABLE>

Registrant's telephone number, including area code: (408) 894-4000

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

<TABLE>
<CAPTION>

Title of each class	Name of each exchange on which registered
<S>	<C>
QUANTUM CORPORATION--DLT & STORAGE SYSTEMS GROUP COMMON STOCK	NEW YORK STOCK EXCHANGE
QUANTUM CORPORATION--HARD DISK DRIVE GROUP COMMON STOCK	NEW YORK STOCK EXCHANGE
RIGHTS TO PURCHASE SERIES B JUNIOR PARTICIPATING PREFERRED STOCK	NEW YORK STOCK EXCHANGE
RIGHTS TO PURCHASE SERIES C JUNIOR PARTICIPATING PREFERRED STOCK	NEW YORK STOCK EXCHANGE

</TABLE>

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

7% CONVERTIBLE SUBORDINATED NOTES DUE 2004

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [_]

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of May 28, 2000 was $1,382,985,380. For purposes of this disclosure, shares of Common Stock held by persons who hold more than 5% of the outstanding shares of Common Stock and shares held by officers and directors of the Registrant have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily conclusive.

As of the close of business on May 28, 2000, the registrant had 150,467,252 shares of DLT & Storage Systems group common stock outstanding and 82,602,426 shares of Hard Disk Drive group common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Parts of the Proxy Statement for Registrant's 2000 Annual Meeting of Shareholders (the "Proxy Statement") are incorporated by reference into Part III of this Form 10-K Report. Form 8-K of Quantum Corporation dated March 26, 1999, is incorporated by reference into Part II, Item 8 of this Form 10-K Report.

PART I

ITEM 1. Business

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements usually contain the words "estimate," "anticipate," "expect" or similar expressions. All forward-looking statements are inherently uncertain as they are based on various expectations and assumptions concerning future events and they are subject to numerous known and unknown risks and uncertainties. These uncertainties could cause actual results to differ materially from those expected for the reasons set forth under Trends and Uncertainties in Annex II and Annex III of this report. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

Business Description

Founded in 1980, Quantum Corporation ("Quantum" or "the Company") is a diversified data storage company. Quantum operates its business through two separate business groups: the DLT & Storage Systems group ("DSSG") and the Hard Disk Drive group ("HDDG"). On July 23, 1999, Quantum's stockholders approved a tracking stock proposal creating two new classes of Quantum common stock, DSSG common stock and HDDG common stock, intended to track separately the performance of the DLT & Storage Systems group and the Hard Disk Drive group. On August 3, 1999, each authorized share of Quantum common stock was exchanged for one share of DSSG common stock and one-half share of HDDG common stock. A description of each of the businesses follows.

BUSINESS OF THE DLT & STORAGE SYSTEMS GROUP

The DLT & Storage Systems group designs, develops, manufactures, licenses and markets DLTtape(TM) drives, DLTtape media cartridges and storage systems. DSSG's storage systems consist of DLTtape libraries, solid state storage systems, network attached storage appliances and service.

DLTtape products are used to back up large amounts of data stored on network servers. Digital Linear Tape, or DLTtape, is DSSG's half-inch tape technology that is the de facto industry standard for data back-up in the mid-range network server market.

According to International Data Corporation, DSSG was the worldwide revenue leader for tape drives used for data storage and back-up in calendar year 1999. DLTtape drives accounted for 30% of total tape drive market revenue in calendar year 1999, up from 24% in calendar year 1998 and 2% in calendar year 1994. The DLT & Storage Systems group is also a leader in the tape library market for mid-range network servers. DLTtape library products represented an estimated 46% of total tape automation revenue in calendar year 1999, up from 38% in calendar year 1998 and 29% in calendar year 1997.

DSSG's tape libraries serve the entire tape library data storage market from desktop computers to enterprise class computers. With the acquisition of Meridian Data, Inc. ("Meridian") in September 1999, DSSG formed the Snap division, which has become a leader in the rapidly emerging market for network attached storage appliances with products which incorporate hard disk drives and an operating system designed to meet the requirements of entry and workgroup level computing environments, where multiple computer users access shared data files over a local area network.

DLTtape drives store data on DLTtape media cartridges. Historical use of DLTtape drives has shown that drives use many media cartridges per year. Growth in the installed base of DLTtape drives is expected to result in increasing demand for DLTtape media cartridges. DSSG's DLTtape media cartridges are manufactured and sold by licensed third party manufacturers.

The installed base of DLTtape drives resulted in shipments of approximately 16 million DLTtape media cartridges in fiscal year 2000. The installed base of DLTtape drives includes the more than 1.4 million DLTtape drives that have been shipped to date. DSSG expects the installed base to increase from DLTtape drive shipments in fiscal year 2001 and to generate increased DLTtape media cartridge sales. These expectations are forward-looking statements and actual results may be affected by the factors discussed in "--Trends and Uncertainties Relating to the DLT & Storage Systems Group," in Annex II of this report.

Prior to 1998, DSSG's DLTtape media cartridge revenue was derived from direct sales. Beginning in 1998, DSSG's licensed third party DLTtape media manufacturers also began selling DLTtape media cartridges. DSSG receives a royalty fee on DLTtape media cartridges sold by its licensees which, while resulting in lower revenue than DLTtape media sold directly by DSSG, generates comparable income from operations. DSSG prefers to have a substantial portion of DLTtape media cartridge sales occur through its license model because this minimizes DSSG's operational risks and expenses and provides an efficient distribution channel. Currently, approximately 80% of media sales occur through this license model. DSSG believes that the large installed base of DLTtape drives and its licensing of DLTtape media cartridges give DSSG a unique competitive advantage.

In the fourth quarter of fiscal year 2000, Quantum announced the formation of Quantum Technology Ventures ("QTV"), an investment arm for Quantum. QTV will be used to explore, develop and invest in new storage technologies, storage businesses and applications for storage. QTV will be managed as a wholly-owned subsidiary of Quantum Corporation with the results of its operations shared 50/50 between DSSG and HDDG. Quantum has committed $100 million of funding to QTV over the next two years.

Products

The DLT & Storage Systems group's products include:

DLT:

- Super DLTtape(TM) drives. DSSG recently introduced a new family of tape drive products based on Super DLTtape technology, targeted to serve workgroup, mid-range and enterprise business needs. For workgroup and departmental servers, the Super DLTtape drive will deliver a native capacity of 80 gigabytes ("GB") (160GB compressed) and a sustained transfer rate of 8 megabytes ("MB") per second (16MB compressed). The mid-range market including large corporate departments and mid-size automated libraries will see a drive with a native capacity of 110GB (220GB compressed) and a sustained transfer rate of 11MB per second (22MB compressed). In response to high performance enterprise needs, DSSG will also offer a Super DLTtape drive with a sustained transfer rate of greater than 16MB per second (32MB compressed). Super DLTtape drives are expected to begin volume shipment in the second half of calendar year 2000.

- DLTtape drives. DSSG currently offers three tape drive products--the DLT8000, the DLT7000 and the DLT4000. The DLT8000 provides a combination of 40GB of native capacity (80GB compressed) and a sustained data transfer rate of 6MB per second (12MB compressed). The DLT7000 provides a combination of 35GB of native capacity (70GB compressed) and a sustained data transfer rate of 5MB per second (10MB compressed). The DLT4000 provides a combination of 20GB of native capacity (40GB compressed) and a sustained data transfer rate of 1.5MB per second (3MB compressed).

- DLTtape media cartridges. The DLTtape family of half-inch tape media cartridges is designed and formulated specifically for use with DLTtape drives. The capacity of a DLTtape media cartridge is up to 40GB (80GB compressed). DSSG's half-inch tape cartridges take advantage of shorter wavelength recording schemes to ensure read compatibility with future generations of DLTtape drives. The tape itself features a special high-grade metal particle formula that reduces tape and head wear. The result is tape that delivers a proven one million passes with a negligible impact on soft error rates and a 30-year archival life.

Storage Systems:

- Tape libraries. DSSG offers a broad line of automated DLTtape libraries that support a wide range of back-up and archival needs from workgroup servers to enterprise-class servers. DSSG's tape libraries range from its tape autoloaders which accommodate a single DLTtape drive and up to 280GB of storage capacity to the P6000 series library which features Prism Library Architecture(TM) and can be configured in multiple units to scale up to 22.8 terabytes of storage capacity. In addition, DSSG offers WebAdmin(TM), the industry's first Internet browser-based tape library management system, allowing system administrators to monitor widely distributed storage systems at remote locations with point-and-click ease.

- Solid state storage systems. DSSG offers two families of solid state storage systems--the Rushmore(TM) Ultra series and the Rushmore eSystem Accelerators. The Rushmore Ultra Solid State Disks are available in capacities ranging from 268MB to 3.2GB and have data access times of less than 50 microseconds, 100 to 200 times faster than magnetic hard disk drives. Solid state storage systems store data on memory chips which enable significantly faster data access times than magnetic disks used in standard hard disk drives. DSSG recently introduced the next generation solid state storage product, Rushmore eSystem Accelerator, a comprehensive set of hardware, tools, services and consulting bundled into one inclusive package. With breakthrough semiconductor and controller technology, the Rushmore eSystem Accelerator dramatically increases system performance in e-commerce infrastructures. With capacities ranging from 536MB to 3.2GB, the Rushmore eSystem Accelerator delivers data access times of less than 25 microseconds, more than 18,000 accesses to information per second for time-critical applications.

- Network attached storage systems. DSSG's Snap! Server(TM) family of network attached storage appliances offers options ranging from 10GB to 120GB of network storage. These products incorporate hard disk drives and an operating system, provide the ease of plug-and-play features and can be directly attached to workgroup-level networks, providing instant additional network storage capacity. No special configurations are needed for ordinary use and advanced configuration options enable added value features.

- LANvault(TM) tape backup appliance. LANvault is a backup appliance with a DLTtape library, a central management console and a customer service Web portal. This product is intended to meet the requirements for remote site backup and is designed as a work group backup solution appliance preloaded with industry-standard backup software for ease of installation and use.

Customers

DSSG's DLTtape drives have achieved broad market acceptance in the mid-range network server market with leading computer equipment manufacturers such as Compaq Computer Corporation, Dell Computer Corporation, Hewlett-Packard Company, IBM, StorageTek and Sun Microsystems, Inc. Customers for DSSG's tape libraries include Compaq, EMC Corporation, Hewlett-Packard, IBM and Sun Microsystems. DSSG operates the tape library portion of its business through its wholly-owned ATL subsidiary.

Because the leading computer equipment manufacturers have a dominant market share for the computer systems into which DSSG's products are incorporated, DSSG's sales are concentrated with several key customers. Sales to DSSG's top five customers in fiscal year 2000 represented 47% of revenue, compared to 53% of revenue in fiscal year 1999. These amounts reflected a retroactive combination of the sales to Compaq and Digital Equipment as a result of their merger in June 1998. Sales to Compaq were 20% of revenue in fiscal year 2000, compared to 25% of revenue in fiscal year 1999, including sales to Digital Equipment. Sales to Hewlett-Packard were 13% of revenue in both fiscal years 2000 and 1999.

Sales and Marketing

DSSG markets its products directly to manufacturers of computer systems and workstations and to distributors, resellers and systems integrators through its worldwide sales force. DSSG also sells DLTtape drives,

media cartridges and network attached storage appliances through the www.quantum.com website, targeted primarily at small and medium sized businesses and independent end users.

DSSG supports international sales and operations by maintaining a European headquarters in Neuchatel, Switzerland; a Japanese headquarters in Tokyo; an Asia Pacific headquarters in Singapore and additional sales offices throughout the world. DSSG's international sales, including sales to foreign subsidiaries of United States companies, were 35% of DSSG's total revenue in fiscal year 2000, and 22% and 29% of total revenue in fiscal years 1998 and 1999, respectively.

Strategic Licensing Partners

Fuji Photo Film Co., Ltd. and Hitachi Maxell, Ltd. have historically been the primary manufacturers of DLTtape media cartridges for DSSG. DSSG's license agreements with Fuji and Maxell allow those companies to independently sell DLTtape media cartridges for which DSSG receives royalties. DSSG believes these strategic license agreements can expand the market for DLTtape technology and provide customers with multiple sources for DLTtape media cartridges.

In fiscal year 1999, DSSG entered into a manufacturing license and marketing agreement with Tandberg Data ASA, a European-based data storage company, through which Tandberg has become an independent manufacturer of DLTtape drives, and can manufacture products currently under development such as those based on Super DLTtape technology. Under the terms of the agreement, DSSG receives royalties on all DLTtape drives that Tandberg manufactures and sells. Tandberg also markets a full spectrum of DLTtape drives, DLTtape media cartridges and tape libraries.

In fiscal year 2000, DSSG entered into a manufacturing license agreement with Benchmark Tape Systems Corporation, a company dedicated to the development of tape backup and archive systems, through which Benchmark can manufacture and sell certain versions of DLTtape drives based on Quantum technology.

Manufacturing

DSSG manufactures DLTtape drives, autoloaders, network attached storage appliances and solid state storage systems in its Colorado Springs, Colorado facility. Network attached storage appliances are also manufactured by two third parties. As a result of DSSG's strategy to reduce manufacturing costs, DSSG has begun the process of moving high volume DLTtape drive production from its Colorado facility to Quantum's facility in Penang, Malaysia. DSSG expects to continue to manufacture the DLT4000 tape drive in its Colorado facility as well as the recently introduced Super DLTtape drives and other new products. DSSG manufactures tape libraries in its Irvine, California facility. DSSG also has a logistics site in Dundalk, Ireland. All of DSSG's DLTtape media cartridges are manufactured by third parties--Fuji and Maxell.

Research and Development

DSSG invested approximately $63 million, $99 million and $123 million in research and development in fiscal years 1998, 1999 and 2000, respectively. DSSG is focusing its research and development efforts on the development of new DLTtape drives, autoloaders and libraries, solid state storage systems, network attached storage appliances and software storage architectures. In particular, DSSG is currently developing a family of tape drives based on Super DLTtape technology. DSSG maintains research and development facilities in Shrewsbury, Massachusetts; Boulder, Colorado; Irvine, California; and San Jose, California.

Competition

In the mid-range network server market for tape drives, DSSG competes primarily with Exabyte Corporation, Hewlett-Packard, Sony Corporation and StorageTek. In particular, Hewlett-Packard, IBM and Seagate Technology, Inc. have formed a consortium to develop new tape drive products using linear tape open

technology. Such products will target the high-capacity data storage market and are expected to compete with products based on Super DLTtape technology. Key competitive factors in the tape storage market include capacity, reliability, durability, scalability, compatibility and cost.

ADIC, Breece Hill Technologies, Inc., Exabyte, Hewlett-Packard, Overland Data Inc. and StorageTek also offer tape libraries incorporating DLTtape technology. If DLTtape continues to maintain broad market acceptance in the mid-range network server market, DSSG believes many of these companies will continue to improve the functionality and performance of their tape libraries designed for DLTtape technology. DSSG also expects increased competition from large integrated computer equipment companies, many of whom have historically incorporated their own tape storage products into their computer systems, and are broadening their focus on the enterprise-wide computing market.

In the market for network attached storage appliances, DSSG competes with Hewlett Packard, Intel Corporation, Maxtor Corporation and Nortel Networks Corporation. Large traditional suppliers of general purpose computer servers also offer specialized server storage solutions. Any one of these companies, or any other company, could introduce network attached storage appliances or another similar storage solution targeted at workgroup-level applications that could result in increased competition with DSSG's network attached storage appliances.

Warranty and Service

DSSG generally warrants its products against defects for a period of one to three years from the date of sale. DSSG generally provides warranty service on DLTtape drives on a return-to-factory basis. DSSG's tape libraries generally have a warranty period of one year, with service agreements available to customers for additional years of warranty service. DSSG maintains in-house product repair facilities in Colorado Springs, Colorado, and Dundalk, Ireland to support warranty and service obligations for tape drives, libraries and solid state storage systems. DSSG also performs tape library warranty service in its facility in Irvine, California. In addition, third party service providers throughout the world perform tape library service.

Backlog

DSSG manufactures its products based upon forecasts of customer demand. Orders are generally placed by customers on an as-needed basis. In general, customers may cancel or reschedule orders without penalty. For these reasons, DSSG does not believe "orders" constitute a firm "backlog" and believes customer orders are not a meaningful indicator of revenues nor material to an understanding of its business.

Employees

At March 31, 2000, DSSG had approximately 2,300 regular employees. In addition, approximately 800 Quantum employees perform services for both DSSG and HDDG. In the advanced electronics industry, competition for highly skilled employees is intense. DSSG believes that a great part of its future success will depend on DSSG's ability to attract and retain highly skilled employees. None of DSSG's employees are represented by a union, and DSSG has experienced no work stoppages. DSSG believes that its employee relations are favorable.

Technology

Both DSSG and HDDG have access to all of Quantum's technology and know-how, excluding products and services of the other group, that may be useful in that group's business. DSSG and HDDG consult each other on a regular basis concerning technology issues that affect both groups.

Quantum has been granted and/or owns by assignment 464 United States patents. In general, these patents have 17-year terms from the date of issuance. Quantum also has certain foreign patents and applications relative to certain of the products and technologies. Although DSSG believes that its patents and applications have

significant value, the rapidly changing computer industry technology makes DSSG's future success dependent primarily upon the technical competence and creative skills of its personnel rather than on patent protection.

Several companies and individuals have approached DSSG concerning the need for a license under patented technology that DSSG assertedly used, or is assertedly using, in the manufacture and sale of one or more of its products. DSSG conducts ongoing investigations into these assertions and presently believes that any licenses ultimately determined to be required could be obtained on commercially reasonable terms. However, DSSG cannot assure you that such licenses are presently obtainable, or if later determined to be required, could be obtained on commercially reasonable terms or at all.

Quantum has signed cross-licensing agreements with Fujitsu, Hewlett-Packard, IBM, Seagate, Western Digital and others. These agreements enable DSSG to use certain patents owned by these companies and enable these companies to use certain patents owned by Quantum.

BUSINESS OF THE HARD DISK DRIVE GROUP

The Hard Disk Drive group designs, develops and markets a diversified product portfolio of hard disk drives featuring leading-edge technology. HDDG's hard disk drives are designed for the desktop market which requires economy and reliability and the high-end market which requires faster and higher capacity disk drives--as well as the emerging market for hard disk drives specially designed for consumer electronics devices such as personal video recorders, personal audio recorders, cable and set-top boxes, Internet appliances and digital video editing. HDDG has been the leading volume supplier of hard disk drives for the desktop market for each of the past seven years. According to Dataquest, HDDG's market share in the desktop market has grown from 3% in calendar year 1990 to an industry leading 22% in calendar year 1999.

HDDG designs desktop hard disk drives to meet the storage requirements of entry-level to high-performance desktop PCs in home and business environments. HDDG also designs high-end hard disk drives to store data on large computing systems such as network servers. These high-end hard disk drives are generally used for:

- dedicated sites that store large volumes of data;
- network servers such as those used for Internet and intranet services, online transaction processing and enterprise wide applications;

- high-speed computers used for specialized engineering design software; and

- computer systems incorporating a large number of shared hard disk drives.

HDDG also pioneered hard disk drive applications for the developing consumer electronics market. These hard disk drive applications utilize Quantum QuickView(TM)--HDDG's hard disk drive technology designed especially for consumer electronics. Quantum QuickView technology makes it possible to simultaneously record and play back audio and video content and to instantly and inexpensively access large amounts of audio and video content--capabilities that are not as well suited to competing technologies such as video tape and optical media.

In the fourth quarter of fiscal year 2000, Quantum announced the formation of Quantum Technology Ventures, an investment arm for Quantum. QTV will be used to explore, develop and invest in new storage technologies, storage businesses and applications for storage. QTV will be managed as a wholly owned subsidiary of Quantum Corporation with the results of its operations shared 50/50 between HDDG and DSSG. Quantum has committed $100 million of funding to QTV over the next two years.

Products

Desktop products. HDDG offers two families of desktop hard disk drives--the Quantum Fireball(TM) and Quantum Fireball Plus. The Quantum Fireball family offers 3.5-inch hard disk drives for consumer and commercial PCs, as well as entry-level workstations and network servers. Fireball Plus offers superior performance for power users. HDDG offers the Shock Protection System(TM), Shock Protection System II and Data Protection System(TM) with its desktop products. These features substantially reduce failure rates and provide increased reliability and performance. Shock Protection System II provides enhanced protection against both operating and non-operating shock. Along with providing enhanced protection against shock during handling and integration, Shock Protection System II guards against kicks and jolts while the PC is running to reduce field failures. HDDG has also incorporated feature enhancements of the Quiet Drive Technology into recently introduced Quantum desktop drives. This technology has been pioneered through a combination of proprietary design innovations and unique drive features that enable Quantum to develop drives that emit dramatically reduced levels of noise. It was first introduced over a year ago in Quantum QuickView drives targeted for the noise-sensitive consumer electronics market and has continued to be refined with technology and feature enhancements.

High-end products. HDDG also offers a broad line of high-end 3.5-inch hard disk drives--the Quantum Atlas(TM) and Quantum Atlas 10K families. The Quantum Atlas families offer high-capacity hard disk drives for high performance storage-intensive applications such as enterprise servers and storage subsystems. HDDG also offers the Shock Protection System, Shock Protection System II and Data Protection System with its high-end products, and has incorporated the Quiet Drive Technology into its recently introduced Atlas 10K II.

The table below sets forth key performance characteristics for HDDG's current products:

<TABLE>
<CAPTION>

Products	Capacity per Disk (GB)	Product Capacity (GB)	Rotational Speed (RPM)	Platform
<C>	<C>	<C>	<C>	<S>
Fireball lct 08...	8.7	4.3 to 26.0	5,400	Desktop PCs--Value, with Ultra ATA/66 interface, Shock Protection System II, Data Protection System and Quiet Drive Technology
Fireball lct 10...	10.3	5.0 to 30.0	5,400	Desktop PCs--Value, with Ultra ATA/66 interface, Shock Protection System II, Data Protection System and Quiet Drive Technology
Fireball lct 15...	15.0	7.5 to 30.0	4,400	Desktop PCs--Value, with Ultra ATA/66 interface, Shock Protection System II, Data Protection System and Quiet Drive Technology

Fireball Plus KX..	6.8	6.8 to 27.3	7,200	Desktop PCs--Performance, with Ultra ATA/66 interface, Shock Protection System and Data Protection System
Fireball Plus LM..	10.3	10.2 to 30.0	7,200	Desktop PCs--Performance, with Ultra ATA/66 interface, Shock Protection System and Data Protection System
Atlas IV..........	4.5	9.1 to 36.4	7,200	Servers, Workstations and Storage Subsystems, with Ultra 160 SCSI interface, Shock Protection System
Atlas V...........	9.1	9.1 to 36.7	7,200	Servers, Workstations and Storage Subsystems, with Ultra 160 SCSI interface, Shock Protection System II and Data Protection System
Atlas 10K.........	3.0	9.1 to 36.4	10,000	Enterprise Servers, Workstations and Storage Subsystems, with Ultra 160 SCSI interface, Shock Protection System II and Data Protection System
Atlas 10K II......	7.3	9.2 to 73.4	10,000	Enterprise Servers, Workstations and Storage Subsystems, with Ultra 160 SCSI interface, Shock Protection System II, Data Protection System and Quiet Drive Technology

</TABLE>

Customers

HDDG markets its products to leading computer equipment manufacturers, including Acer, Apple Computer, Inc., Compaq, Dell, Fujitsu Limited, Gateway Inc., Hewlett-Packard, IBM, Packard Bell/NEC and Siemens AG. Because the leading computer equipment manufacturers have a dominant market share for the computer systems into which HDDG's products are incorporated, HDDG's sales are concentrated with several key customers.

Sales to HDDG's top five customers in fiscal year 2000 represented 50% of revenue, compared to 47% of revenue in fiscal year 1999. These amounts reflected a retroactive combination of sales to Ingram Micro and Electronic Resources as a result of the completion of their merger in July 1999 as well as a retroactive combination of sales to Compaq and Digital Equipment as a result of their merger in June 1998. Sales to Ingram

Micro were 13% of revenue in fiscal year 2000, compared to 10% of revenue in fiscal year 1999, including sales to Electronic Resources. Sales to Hewlett-Packard were 12% of revenue in fiscal year 2000, compared to 14% of revenue in fiscal year 1999. Sales to Compaq were less than 10% of revenue in fiscal year 2000, compared to 10% of revenue in fiscal year 1999, including sales to Digital Equipment.

Sales and Marketing

HDDG markets its products directly to manufacturers of desktop PCs, servers and workstations. Key domestic and international computer equipment manufacturer customers include Acer, Apple, Apricot Computers Limited, Compaq, Dell, Fujitsu, Gateway, Hewlett-Packard, IBM, LG Electronics Inc., Packard Bell/NEC, Samsung and Siemens.

In addition to its strong base of computer equipment manufacturer customers, HDDG markets its products through a domestic and international network of commercial and industrial distributors located in more than 25 countries worldwide. This network includes Bell Microproducts, Inc., Computer 2000 AG, Ingram Micro Inc. and Wyle Electronics. Through this network, HDDG's hard disk drive products reach smaller computer equipment manufacturers, systems integrators, value-added resellers, dealers and retailers.

HDDG also sells its hard disk drive products through the www.quantum.com web site, targeted primarily at small and medium sized businesses and independent end users.

HDDG supports international sales and operations by maintaining a regional European headquarters in Neuchatel, Switzerland; a Japanese headquarters in Tokyo; an Asia Pacific headquarters in Singapore and additional sales offices throughout the world. HDDG's international sales, including sales to foreign subsidiaries of U.S. companies, were 56% of HDDG's revenue in fiscal year 2000, and 54% and 55% of revenue for fiscal years 1998 and 1999, respectively.

Manufacturing

Matsushita-Kotobuki Electronics Industries, Ltd. ("MKE") manufactures all of HDDG's hard disk drives at facilities located in Japan, Singapore and Ireland. During the fourth quarter of fiscal year 2000, MKE decided to discontinue production at its Ireland facility and began to transition desktop drive production from its Ireland facility to its lower cost facility in Singapore. MKE's state-of-the-art manufacturing process is highly automated, employing integrated computer networks and advanced control systems. MKE's manufacturing expertise helps HDDG produce hard disk drives of exceptional quality and quickly achieve volume production.

HDDG's relationship with MKE, which has been continuous since 1984, is governed by a master agreement which continues through 2007, unless terminated sooner as a result of certain specified events including a change-in-control of either Quantum or MKE. This agreement gives MKE the exclusive worldwide right to manufacture and HDDG the exclusive worldwide right to design and market hard disk drives. HDDG provides MKE with a forecast of its requirements and places purchase orders monthly. HDDG works closely with MKE to regularly adjust its purchase orders as market requirements change.

HDDG and MKE work together to develop strategic relationships with leading suppliers of many of the key hard disk drive components. These relationships enable HDDG to gain early access to leading-edge hard disk drive technology and to actively manage its supply chain to improve flexibility in choosing state-of-the-art components and to reduce component, inventory and overall product costs.

In fiscal year 1999, HDDG agreed with MKE to dissolve their recording heads joint venture. As a result, HDDG no longer develops or manufactures recording heads.

Research and Development

HDDG's research and development expenses were $259 million, $254 million and $242 million in fiscal years 1998, 1999 and 2000, respectively. HDDG is currently concentrating its research and development efforts on developing new desktop and high-end hard disk drives, hard disk drives for the consumer electronics market and other hard disk drive applications. HDDG maintains research and development facilities in Shrewsbury, Massachusetts and Milpitas, California.

Competition

In the desktop product market, HDDG competes primarily with Fujitsu, IBM, Maxtor, Samsung, Seagate and Western Digital. In the high-end market, HDDG competes primarily with Fujitsu, Hitachi, IBM and Seagate.

HDDG believes that important competitive factors in the hard disk drive market are:

- quality;
- reliability;
- storage capacity;
- performance;
- price;
- time-to-market introduction;
- time-to-volume production;
- computer equipment manufacturer product qualifications;
- breadth of product lines; and
- technical service and support.

HDDG believes that it competes favorably with respect to these factors.

Warranty and Service

HDDG generally warrants its products against defects for a period of one to five years from the date of sale. HDDG has generally provided warranty service on a return to factory basis. However, HDDG began offering returns for credit on desktop disk drive products with the introduction of the Fireball lct and the Fireball Plus LM disk drives, and will offer returns for credit on all future desktop disk drive products. HDDG maintains in-house service facilities for refurbishment or repair of its products in Milpitas, California; Dundalk, Ireland; and Penang, Malaysia. HDDG also utilizes third party providers for warranty repairs.

Backlog

HDDG manufactures its products based upon forecasts of customer demand. Orders are generally placed by customers on an as-needed basis. In general, customers may cancel or reschedule orders without penalty. For these reasons, HDDG does not believe "orders" constitute a firm "backlog" and believes customer orders are not a meaningful indicator of revenues nor material to an understanding of its business.

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Both HDDG and DSSG have access to all of Quantum's technology and know-how, excluding products and services of the other group, that may be useful in that group's business. HDDG and DSSG consult each other on a regular basis concerning technology issues that affect both groups.

Quantum has been granted and/or owns by assignment 464 United States patents. In general, these patents have 17-year terms from the date of issuance. Quantum also has certain foreign patents and applications relative to certain of the products and technologies. Although HDDG believes that its patents and applications have significant value, the rapidly changing computer industry technology makes HDDG's future success dependent primarily upon the technical competence and creative skills of its personnel rather than on patent protection.

Several companies and individuals have approached HDDG concerning the need for a license under patented technology that HDDG assertedly used, or is assertedly using, in the manufacture and sale of one or more of its products. HDDG conducts ongoing investigations into these assertions and presently believes that any licenses ultimately determined to be required could be obtained on commercially reasonable terms. However, HDDG cannot assure you that such licenses are presently obtainable, or if later determined to be required, could be obtained on commercially reasonable terms or at all.

Quantum has signed cross-licensing agreements with Fujitsu, Hewlett-Packard, IBM, Seagate, Western Digital and others. These agreements enable HDDG to use certain patents owned by these companies and enable these companies to use certain patents owned by Quantum.

EXECUTIVE OFFICERS OF QUANTUM CORPORATION

Set forth below are the names, ages (as of March 31, 2000), positions and offices held by, and a brief account of the business experience of, each executive officer of Quantum.

<TABLE>
<CAPTION>

Name	Age	Position with Quantum
Michael A. Brown.........	41	Chairman of the Board and Chief Executive Officer
Richard L. Clemmer.......	48	Executive Vice President, Finance, Chief Financial Officer, and Secretary
W. Curtis Francis........	50	Vice President, Corporate Development
John J. Gannon...........	53	President, Hard Disk Drive Group
Jerald L. Maurer.........	57	Executive Vice President, Human Resources, Real Estate, and Corporate Services
Thomas H. Scott*.........	53	Executive Vice President of Worldwide Sales and Corporate Marketing

</TABLE>

- --------

* Mr. Scott became an executive officer of Quantum in April 2000.

Mr. Brown has been Chairman of the Board and Chief Executive Officer since 1998 and 1995, respectively. Mr. Brown was President of the Desktop Storage Division from 1993 to 1995 and Executive Vice President in a chief operating officer role from 1992 to 1993. Previously, Mr. Brown was named Vice President of Marketing in 1990 and held positions in product and marketing management since joining Quantum's marketing organization in August 1984. Before joining Quantum, Mr. Brown served in the marketing organization at Hewlett-Packard and provided management consulting services at Braxton Associates. Mr. Brown is also a member of the board of Digital Impact, a publicly-held internet marketing company.

Mr. Clemmer has been Executive Vice President of Finance and Chief Financial Officer since joining Quantum in August 1996. Prior to joining Quantum, Mr. Clemmer was Chief Financial Officer of Texas Instruments' Semiconductor Group from 1989 to 1996. Previously, he held a variety of senior finance positions with Texas Instruments.

Mr. Francis joined Quantum as Vice President of Corporate Development in May 1998. Prior to joining Quantum, Mr. Francis was Vice President of Corporate Planning and Development with Advanced Micro Devices from 1995 to 1998. Mr. Francis was the Vice President of Corporate Development at Sun Microsystems from 1993 to 1995. He was also with Advanced Micro Devices from 1980 to 1993, last serving as Vice President of Corporate Operational Planning during this period, and previously was a consultant with the Boston Consulting Group.

Mr. Gannon has been President of the Hard Disk Drive Group since February 1999. From May 1998 to February 1999, Mr. Gannon was Executive Vice President of Worldwide Sales. Prior to joining Quantum, Mr. Gannon spent seventeen years with Hewlett Packard from 1981 to 1998, last serving as General Manager of Commercial Personal Computer Business from 1996 to 1998 and its Digital Audio Tape business from 1993 to 1996.

Mr. Maurer joined Quantum as Executive Vice President of Human Resources, Real Estate and Corporate Services in December 1998. Prior to joining Quantum, Mr. Maurer was Senior Vice President of Human Resources at Seagate Technology from 1996 to 1998. Previously, he was Senior Vice President of Human Resources for Melville Corporation from 1993 to 1996 and spent more than 25 years in a variety of management and human resources positions with companies such as Illinois Bell Telephone CO., AT&T and Aetna Life & Casualty.

Mr. Scott joined Quantum as Executive Vice President of Worldwide Sales and Corporate Marketing in April 2000. Prior to joining Quantum, from February 1999 to March 2000, Mr. Scott provided consulting services to emerging technology companies in the areas of strategic planning, marketing, organization and development. From November 1997 to January 1999, Mr. Scott was senior vice president of worldwide sales and marketing for AST Research, Inc. Previously, from 1990 to May 1997, Mr. Scott held various positions with Toshiba America Information Systems, last serving as general manager of the Computer Systems Division.

ITEM 2. Properties

Quantum's headquarters is located in Milpitas, California. Quantum owns or leases facilities in North America, Europe and Asia. DSSG and HDDG share space at the Corporate, European and Asian headquarters, at worldwide sales offices and other locations worldwide. The following is a summary of the locations, functions and square footage:

<TABLE>
<CAPTION>

Location	Function	Square Feet
<C>	<S>	<C>
North America		
Milpitas, CA	Corporate headquarters; hard drive research and development, configuration and distribution..............................	1,170,000
San Jose, CA	Network attached storage operations including research and development...................	75,000
Irvine, CA	DLTtape library manufacturing and research and development...........................	185,000
Shrewsbury, MA	Hard drive and DLTtape research and development...............................	670,000
Colorado Springs, CO	DLTtape manufacturing and DLTtape warehouse..	555,000
Boulder, CO	DLTtape research and development............	55,000
Other USA & Canada	18 sales offices............................	90,000

Europe		
Dundalk, Ireland	Hard drive and DLTtape configuration and distribution...............................	110,000
Other Europe	European headquarters, and 7 sales offices...	55,000
Asia		
Singapore	Asia Pacific headquarters; hard drive and DLTtape configuration and distribution......	95,000
Penang, Malaysia	DLTtape manufacturing and hard drive customer service....................................	160,000
Other Asia	Japan headquarters and 11 sales offices......	40,000

</TABLE>

ITEM 3. Legal Proceedings

For information regarding legal proceedings, refer to Part II, Item 8, Note 14 of the Notes to Consolidated Financial Statements and Note 13 of the Hard Disk Drive group Notes to Combined Financial Statements, in Annex I and Annex III of this report, respectively.

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

Not applicable.

PART II

ITEM 5. Market for the Registrant's Common Equity and Related Stockholder Matters

Quantum Corporation's common stock was traded in the over-the-counter market under the Nasdaq symbol QNTM for the period December 10, 1982, the date of Quantum's initial public offering, through August 3, 1999, the date of the recapitalization. On August 4, 1999, DSSG common stock and HDDG common stock began trading on the New York Stock Exchange under the symbols DSS and HDD, respectively.

The prices per share reflected in the table represent the range of high and low closing prices of QNTM on the Nasdaq National Market System and of DSS and HDD on the New York Stock Exchange for the quarter indicated.

<TABLE>
<CAPTION>

Fiscal Year 1999	High	Low
QNTM		
First quarter ended June 28, 1998......................	$25 3/4	$18
Second quarter ended September 27, 1998................	22 1/8	11 7/16
Third quarter ended December 27, 1998..................	23 7/8	12 3/4
Fourth quarter ended March 31, 1999....................	28 5/16	16 7/16

<CAPTION>

Fiscal Year 2000	High	Low
QNTM		
First quarter ended June 27, 1999......................	$25 1/16	$16 15/16
Second quarter (for the period June 28, 1999 through August 3, 1999).......................................	27 3/16	21 9/16
DSS		
Second quarter (for the period August 4, 1999 through September 26, 1999)..................................	21 7/16	14 3/8
Third quarter ended December 26, 1999..................	18 9/16	11 1/2
Fourth quarter ended March 31, 2000....................	15 11/16	8 3/4
HDD		
Second quarter (for the period August 4, 1999 through September 26, 1999)..................................	8 7/8	6
Third quarter ended December 26, 1999..................	7 1/2	5 5/8
Fourth quarter ended March 31, 2000....................	11 11/16	6 5/16

</TABLE>

Historically, Quantum has not paid cash dividends on its common stocks.

As of May 28, 2000, there were approximately 4,868 DSS and 4,733 HDD shareholders of record.

ITEM 6. Selected Financial Data

The information required by Item 6 is incorporated by reference from Annex I, Annex II and Annex III included herein.

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

The information required by Item 7 is incorporated by reference from Annex I, Annex II and Annex III included herein.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

For information about market risk, refer to the "Financial Market Risks" sections in Annex I, Annex II and Annex III of this report.

ITEM 8. Financial Statements and Supplementary Data

The information required by Item 8 is incorporated by reference from Annex I, Annex II and Annex III included herein.

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

Not applicable.

PART III

ITEM 10. Directors and Executive Officers of the Registrant

Information with respect to directors is incorporated by reference from Quantum's Proxy Statement. For information pertaining to executive officers of Quantum, refer to the "Executive Officers of Quantum Corporation" section of Part I, Item 1 of this document.

ITEM 11. Executive Compensation

The information required by Item 11 is incorporated by reference from Quantum's Proxy Statement.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management

The information required by Item 12 is incorporated by reference from Quantum's Proxy Statement.

ITEM 13. Certain Relationships and Related Transactions

The information required by Item 13 is incorporated by reference from Quantum's Proxy Statement.

With the exception of the information incorporated in Items 10, 11, 12 and 13 of this Form 10-K Annual Report, Quantum's definitive Proxy Statement for its 2000 Annual Meeting of Shareholders is not deemed "filed" as part of this Form 10-K Annual Report.

PART IV

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

(a) The following documents are filed as a part of this Report:

1. Financial Statements--The consolidated financials statements of Quantum Corporation and the combined financial statements of the DLT & Storage Systems group and the Hard Disk Drive group, which are listed in the Index to Financial Statements and Financial Statement Schedules.

2. Financial Statement Schedules--The consolidated financial statement schedule of Quantum Corporation and the combined financial statement schedules of the DLT & Storage Systems group and the Hard Disk Drive group, which are listed in the Index to Financial Statements and Financial Statement Schedules.

3. Exhibits

<TABLE>
<CAPTION>

Exhibit Number	Exhibit
<C>	<S>
3.1(2)	Restated Certificate of Incorporation of Registrant
3.2	Amended and Restated By-laws of Registrant, as amended
3.3(2)	Certificate of Designations for the Series B Participating Junior

	Preferred Stock and Series C Participating Junior Preferred Stock
4.1(2)	Restated Preferred Shares Rights Agreement between the Registrant and Harris Trust and Savings Bank
10.10(4)	Form of Indemnification Agreement between Registrant and the Named Executive Officers and Directors
10.13(6)	Lease, dated as of October 13, 1989, between Registrant and John Arrillaga and Richard T. Perry, Separate Property Trusts
10.14(7)	Lease, dated as of September 17, 1990, between Registrant and John Arrillaga and Richard T. Perry, Separate Property Trusts
10.15(3)	Lease, dated as of April 10, 1992, between Registrant and John Arrillaga and Richard T. Perry, Separate Property Trusts
10.17(8)	Form of Statement of Employment Terms between the Registrant and the Named Executive Officers and Directors
10.18(5)	Lease, dated as of November 13, 1992, and First Amendment to Lease, dated as of November 17, 1992, between Registrant and Milpitas Realty Delaware, Inc.
10.21(9)	1993 Long-Term Incentive Plan
10.23(10)	Second Amendment, dated as of April 15, 1993, to Lease, dated as of November 13, 1992, between Registrant and Milpitas Realty Delaware, Inc.
10.24(10)	Lease, dated as of April 14, 1993, between Registrant and Milpitas Realty Delaware, Inc.
10.25(1)	Patent Assignment and License Agreement, dated as of October 3, 1994, by and between Digital Equipment Corporation and Registrant
10.40(11)	Mortgage and Security Agreement, dated September 10, 1996, by Quantum Peripherals Realty Corporation, as Mortgagor, to CS First Boston Mortgage Capital Corporation, as Mortgagee
10.41(11)	Deed of Trust and Security Agreement, dated as of September 10, 1996, by Quantum Peripherals Realty Corporation (Grantor) to Public Trustee of Boulder County, Colorado, as Trustee for the benefit of CS First Boston Mortgage Capital Corp. (Beneficiary)
10.42(11)	Master Lease, dated as of September 10, 1996, between Quantum Peripherals Realty Corporation, Lessor, and Registrant, Lessee

</TABLE>

<TABLE>
<CAPTION>

Exhibit Number	Exhibit
<C>	<S>
10.43(11)	1996 Board of Directors Stock Option Plan and Form of Option Agreement, as amended
10.45(12)	Indenture, dated August 1, 1997, between the Registrant and La Salle National Bank as trustee, related to the Registrants subordinated debt securities
10.46(12)	Supplemental Indenture, dated August 1, 1997, between the Registrant and Trustee, relating to the Notes, including the form of Note
10.47(13)	Lease, dated as of April 16, 1997, between Registrant and John Arrillaga, Trustee
10.48(13)	Credit Agreement, dated as of June 6, 1997, among Registrant and the Banks named therein and ABN AMRO Bank N.V., San Francisco International Branch and CIBC INC. as Co-Arrangers for the Banks and Canadian Imperial Bank Of Commerce, as Administrative Agent for the Banks and ABN AMRO Bank N.V., San Francisco International Branch, as Syndication Agent for the Banks and Bank of America National Trust and Savings Association as Documentation Agent for the Banks
10.49(13)	Amended and Restated Master Agreement, dated April 30, 1997, between Registrant and Matsushita-Kotobuki Electronics Industries, Ltd.
10.50(13)	Amended and Restated Purchase Agreement, dated April 30, 1997, between Registrant and Matsushita-Kotobuki Electronics Industries, Ltd.

10.51(13)	License Agreement, dated as of April 17, 1997, between International Business Machines Corporation and Registrant
10.52(14)	Master Lease, dated as of August 22, 1997, between Lease Plan North America, Inc., as the Lessor and Registrant, as Lessee
10.53(14)	Participation Agreement, dated as of August 22, 1997, among Registrant, as Lessee, Lease Plan North America, Inc., as Lessor and as a Participant, ABN AMRO Bank N.V., San Francisco International Branch, as a Participant, and ABN AMRO Bank N.V., San Francisco International Branch, as Agent
10.54(14)	Appendix 1 to Participation Agreement, Master Lease and Construction Deed of Trust each dated as of August 22, 1997
10.56(15)	Agreement and Plan of Reorganization, dated as of May 18, 1998, among Registrant, Quick Acquisition Corporation, a wholly-owned subsidiary of Registrant, and ATL Products, Inc.
10.57(15)	First Amendment to Credit Agreement, dated as of June 26, 1998, among Registrant, certain financial institutions (collectively, the "Banks"), and Canadian Imperial Bank Of Commerce, as administrative agent for the Banks
10.58(16)	Reimbursement Agreement, dated as of September 14, 1998, between Quantum Peripherals (Europe) S.A. and The Sumitomo Bank, Limited, London Branch
10.59(16)	This Charge, dated as of September 14, 1998, between Quantum Peripherals (Europe) S.A. and The Sumitomo Bank, Limited
10.60(17)	Second Amendment to Credit Agreement, dated as of December 18, 1998, among Registrant, certain financial institutions (collectively, the "Banks"), Canadian Imperial Bank of Commerce, as administrative agent for the Banks, ABN AMRO Bank, N.V., as syndication agent for the Banks and Bank of America National Trust & Savings Association, as documentation agent for the Banks
10.61(17)	Credit Agreement, dated as of December 18, 1998, among ATL Products, Inc., certain financial institutions (collectively, the "Banks") and Fleet National Bank, as agent for the Banks
10.62(17)	Industrial Lease, dated as of July 17, 1998, between The Irvine Company as lessor, and ATL Products, Inc. as lessee

</TABLE>

<TABLE>
<CAPTION>

Exhibit Number	Exhibit
<C>	<S>
10.63(2)	Registrant's Employee Stock Purchase Plan and form of Subscription Agreement, as amended
10.64(18)	First Amendment to Credit Agreement, dated as of June 21, 1999, among ATL Products, Inc., certain financial institutions (collectively, the "Banks") and Fleet National Bank as agent for the Banks.
10.65(19)	Third Amendment to Credit Agreement, dated as of August 31, 1999, among Registrant, certain financial institutions (collectively, the "Banks"), and Canadian Imperial Bank of Commerce, as administrative agent for the Banks.
10.66(20)	Fourth Amendment to Credit Agreement, dated as of November 8, 1999, among Registrant, certain financial institutions (collectively, the "Banks"), Canadian Imperial Bank of Commerce as administrative agent for the Banks, ABN AMRO Bank, N.V., and CIBC Inc., as co-arrangers for the Banks, ABN, as syndication agent for the Banks, Bank of America N.A., as documentation agent for the Banks, and BankBoston, N.A., The Bank of Nova Scotia, Fleet National Bank and The Industrial Bank of Japan, Limited, as co-agents for the Banks.
10.67(21)	Agreement and Plan of Merger and Reorganization, dated as of May 10, 1999, by and among Registrant, Defiant Acquisition Sub, Inc. and Meridian Data, Inc.
10.68(21)	First Amendment, dated as of June 28, 1999, to Agreement and Plan of Merger and Reorganization, dated as of May 10, 1999, by and among Registrant, Defiant Acquisition Sub, Inc. and Meridian Data, Inc.

10.69	Fifth Amendment to Credit Agreement, dated as of January 14, 2000, among Registrant, certain financial institutions (collectively, the "Banks"), Canadian Imperial Bank of Commerce as administrative agent for the Banks, ABN AMRO Bank, N.V., and CIBC Inc., as co-arrangers for the Banks, ABN, as syndication agent for the Banks, Bank of America N.A., as documentation agent for the Banks, and BankBoston, N.A., The Bank of Nova Scotia, Fleet National Bank and The Industrial Bank of Japan, Limited, as co-agents for the Banks.
12	Statement of Computation of Ratios of Earnings to Fixed Charges
21	Subsidiaries of Registrant
23.1	Consent of Ernst & Young LLP, Independent Auditors
23.2	Consent of KPMG Peat Marwick LLP, Independent Auditors
24	Power of Attorney (see signature page)
27	Financial Data Schedule

</TABLE>

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(1) Incorporated by reference to Registrant's Form 8-K filed with the Securities and Exchange Commission on October 17, 1994.

(2) Incorporated by reference to Registrant's Registration Statement on Form S-4, Amendment No.2, filed with the Securities and Exchange Commission on June 10, 1999

(3) Incorporated by reference to Registrant's Annual Report on Form 10-K for fiscal year ended March 31, 1992.

(4) Incorporated by reference to Registrant's Definitive Special Meeting Proxy Statement filed with the Securities and Exchange Commission on March 24, 1987.

(5) Incorporated by reference to Registrant's Form 10-Q for the quarterly period ended December 27, 1992, filed with the Securities and Exchange Commission on February 10, 1993.

(6) Incorporated by reference to Registrant's Form 10-Q for the quarterly period ended December 31, 1989, filed with the Securities and Exchange Commission on February 14, 1990.

(7) Incorporated by reference to Registrant's Form 10-Q for the quarterly period ended December 30, 1990, filed with the Securities and Exchange Commission on February 13, 1991.

(8) Incorporated by reference to the Registrant's Amendment No. 1 to Form 10-Q for the quarter ended June 30, 1991.

(9) Incorporated by reference to Registrant's Registration Statement on Form S-8 (No. 33-72222) filed with the Securities and Exchange Commission on November 30, 1993.

(10) Incorporated by reference to Registrant's Annual Report on Form 10-K for fiscal year ended March 31, 1994.

(11) Incorporated by reference to Registrant's Form 10-Q for the quarterly period ended September 29, 1996, filed with the Securities and Exchange Commission on November 13, 1996.

(12) Incorporated by reference to Registrant's Form 8-K filed with the Securities and Exchange Commission on August 6, 1997.

(13) Incorporated by reference to Registrant's Form 10-Q for the quarterly period ended June 29, 1997 filed with the Securities and Exchange Commission on August 13, 1997.

(14) Incorporated by reference to Registrant's Form 10-Q for the quarterly period ended September 28, 1997 filed with the Securities and Exchange Commission on October 29, 1997.

(15) Incorporated by reference to Registrant's Form 10-Q for the quarterly period ended June 28, 1998 filed with the Securities and Exchange Commission on August 12, 1998.

(16) Incorporated by reference to Registrant's Form 10-Q for the quarterly period ended September 27, 1998 filed with the Securities and Exchange Commission on October 15, 1998.

(17) Incorporated by reference to Registrant's Form 10-Q for the quarterly period ended December 27, 1998 filed with the Securities and Exchange

Commission on February 9, 1999.

(18) Incorporated by reference to Registrant's Form 10-Q for the quarterly period ended June 27, 1999 filed with the Securities and Exchange Commission on August 11, 1999.

(19) Incorporated by reference to Registrant's Form 10-Q for the quarterly period ended September 26, 1999 filed with the Securities and Exchange Commission on November 2, 1999.

(20) Incorporated by reference to Registrant's Form 10-Q for the quarterly period ended December 26, 1999 filed with the Securities and Exchange Commission on February 9, 2000.

(21) Incorporated by reference to Registrant's Registration Statement on Form S-4 filed with the Securities and Exchange Commission on August 10, 1999.

(b) Reports on Form 8-K: None.

(c) Exhibits: See Item 14(a) above.

(d) Financial Statement Schedules: See Item 14(a) above.

SIGNATURES

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

Dated: June 27, 2000 QUANTUM CORPORATION

/s/ Richard L. Clemmer
By: _________________________________
Richard L. Clemmer
Executive Vice President, Finance
Chief Financial Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Richard L. Clemmer and Andrew Kryder, jointly and severally, his attorneys-in-fact, each with the power of substitution, for him in any and all capacities, to sign any amendments to this Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons in the capacities and on June 27, 2000.

<TABLE>
<CAPTION>

Signature	Title
<C>	<S>
/s/ Michael A. Brown _____________________ Michael A. Brown	Chairman of the Board, and Chief Executive Officer (Principal Executive Officer)
/s/ Richard L. Clemmer _____________________ Richard L. Clemmer	Executive Vice President, Finance, Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ Stephen M. Berkley _____________________ Stephen M. Berkley	Director
/s/ David A. Brown _____________________ David A. Brown	Director
/s/ Robert J. Casale _____________________ Robert J. Casale	Director
/s/ Edward M. Esber, Jr. _____________________ Edward M. Esber, Jr.	Director

/s/ Gregory W. Slayton Gregory W. Slayton	Director
/s/ Steven C. Wheelwright Steven C. Wheelwright	Director

</TABLE>

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

<TABLE>
<CAPTION>

</TABLE>

ANNEX I

QUANTUM CORPORATION SELECTED CONSOLIDATED FINANCIAL INFORMATION

This summary of consolidated financial information of Quantum Corporation ("Quantum" or "the Company") for fiscal years 1996 to 2000 should be read along with Quantum's audited consolidated financial statements contained in this Annual Report on Form 10-K. The summarized financial information, other than the statement of operations data for fiscal years 1996 and 1997 and the balance sheet data at March 31, 1996, 1997 and 1998, was taken from these financial statements.

A number of items affect the comparability of this information:

- The results of operations for fiscal year 2000 include the effect of a $59.4 million special charge, of which $57.1 million is included in cost of revenue and $2.3 million is included in operating expenses, associated with the Hard Disk Drive group's ("HDDG") streamlining of its logistics model, change in customer service strategy and consolidation of certain product development programs. The results of operations for fiscal year 2000 also include the effect of a $40.1 million special charge included in operating expenses associated with the DLT & Storage Systems group's ("DSSG") strategy to reduce overhead expenses and product cost including the transfer of volume manufacturing to Penang, Malaysia.

- The results of operations for fiscal years 1999 and 2000 include charges of $89 million and $37 million, respectively, for purchased in-process research and development in connection with the acquisitions of ATL Products, Inc. ("ATL") and Meridian Data, Inc. ("Meridian"), respectively.

- Through May 1997, the Company consolidated the results of a recording heads business acquired in October 1994. The recording heads business generated losses from operations of $70 million, $110 million and $9 million in fiscal years 1996 through 1998. In May 1997, the Company sold a 51% interest in these operations to Matsushita-Kotobuki Electronics Industries, Ltd. ("MKE"). Subsequent losses of this joint venture using the equity method of accounting were $66 million in fiscal year 1998 and $41 million in the first half of fiscal year 1999. In October 1998, Quantum and MKE agreed to dissolve the joint venture and, as a result, Quantum recorded a $101 million loss from the investment in the third quarter of fiscal year 1999.

- The results of operations for fiscal year 1998 include the effect of a $103 million special charge, primarily for inventory write-offs and losses on purchase commitments, related to the Company's high-end hard disk drive products.

- The results of operations for the fiscal year 1996 include the effect of a $209 million charge related to the transition of the Company's high-end products to MKE.

Pro forma net income (loss) per share for DSSG and HDDG assumes the recapitalization occurred at the beginning of the earliest period presented.

<TABLE>
<CAPTION>

	At or For the Year Ended March 31,				
	1996	1997	1998	1999	2000
	(In thousands, except per share amounts)				
<S>	<C>	<C>	<C>	<C>	<C>
Statement of Operations Data					
Revenue................	$4,422,726	$5,319,457	$5,805,235	$4,902,056	$4,727,204
Gross profit...........	542,417	768,741	875,521	871,338	878,960
Research and development expenses..............	239,116	291,332	321,741	353,223	365,204
Sales and marketing, general and administrative expenses..............	207,558	235,878	258,395	284,876	357,768
Restructuring/special charges included in operating expenses.....	209,122	--	--	--	42,421
Purchased in-process research and development expense....	--	--	--	89,000	37,000
Income (loss) from operations............	(113,379)	241,531	295,385	144,239	76,567
Loss from investee......	--	--	(66,060)	(142,050)	--
Net income (loss).......	$ (90,456)	$ 148,515	$ 170,801	$ (29,535)	$ 40,844
Net income (loss) per share:					
Basic................	$ (0.87)	$ 1.27	$ 1.25	$ (0.18)	$ NM
Diluted..............	$ (0.87)	$ 1.04	$ 1.07	$ (0.18)	$ NM
DLT & Storage Systems group					

Pro forma net income per share:					
Basic..............	$ 0.34	$ 0.92	$ 1.64	$ 0.77	$ 0.89
Diluted............	$ 0.31	$ 0.75	$ 1.37	$ 0.73	$ 0.86
Hard Disk Drive group					
Pro forma net income (loss) per share:					
Basic..............	$ (2.43)	$ 0.70	$ (0.78)	$ (0.90)	$ (1.26)
Diluted............	$ (2.43)	$ 0.58	$ (0.78)	$ (0.90)	$ (1.26)
Balance Sheet Data					
Property, plant and equipment, net.........	$ 364,111	$ 407,206	$ 285,159	$ 271,928	$ 236,685
Total assets...........	1,975,355	2,158,263	2,438,411	2,483,596	2,533,952
Total long-term debt, convertible debt and redeemable preferred stock..................	598,158	422,906	327,485	344,461	325,338

</TABLE>

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NM = Not meaningful

Net income (loss) per share for Quantum common stock for fiscal year 2000 is not meaningful because the amount is for the period April 1, 1999 through August 3, 1999, and therefore would not be comparable with the preceding fiscal years. Net loss for Quantum common stock for this period, basic and diluted, is $(0.10).

QUANTUM CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Fiscal Year 2000 Compared With Fiscal Year 1999

Revenue. Revenue in fiscal year 2000 was $4.7 billion, compared to $4.9 billion in fiscal year 1999, a decrease of 4%. The decrease in revenue reflected decreased revenue from sales of desktop hard disk drives. Revenue increased from sales of storage systems and increased DLTtape media royalties.

Shipments of desktop hard disk drives increased to a record high in fiscal year 2000. However, lower average unit prices resulted in reduced desktop hard disk drive revenue. The increase in shipments reflected increased demand, particularly from computer equipment manufacturers, and a strong desktop PC market. The decline in average unit prices reflected intense competitive pricing pressures, especially in the first two quarters of fiscal year 2000. Shipments of high-end hard disk drives also increased to a record high in fiscal year 2000 as HDDG completed a transition to new high-end products. However, continued pricing pressures in the high-end market resulted in lower average unit prices and only a moderate increase in revenue.

Revenue from sales of storage systems and DLTtape media royalties both increased to record highs in fiscal year 2000. Revenue from sales of DLTtape drives declined. The increase in storage systems revenue reflected an increase in shipments of tape libraries and the acquisition of ATL in September 1998, and shipments of network attached storage appliances following the acquisition of Meridian in September 1999. The increase in DLTtape media royalties reflected an increase in sales of DLTtape media cartridges at licensed media manufacturers for which DSSG earns a royalty. The overall increase in market sales of DLTtape media cartridges reflected sales of cartridges for use in both new DLTtape drives and to meet the ongoing new media needs of the installed base of DLTtape drives. The decrease in DLTtape drive revenue reflected increased shipments, offset by competitive price declines.

Sales to our top five customers in fiscal year 2000 represented 47% of revenue, compared to 46% of revenue in fiscal year 1999. These amounts reflected a retroactive combination of sales to Compaq and Digital Equipment as a result of their merger in June 1998 as well as a retroactive combination of sales to Ingram Micro Inc. and Electronic Resources Limited as a result of the completion of their merger in July 1999. Sales to Compaq were 13% of revenue in fiscal year 2000, compared to 14% of revenue in fiscal year 1999, including sales made to Digital Equipment. Sales to Hewlett-Packard were 12% of revenue in fiscal year 2000, compared to 14% of revenue in fiscal year 1999.

Sales to computer equipment manufacturers and distribution channel customers were 61% and 33% of revenue, respectively, in fiscal year 2000 compared to 63% and 34% of revenue in fiscal year 1999. The remaining revenue in fiscal years 2000 and 1999 represented media royalty revenue and sales to value added resellers.

Gross Margin Rate. The gross margin rate in fiscal year 2000 was 18.6%, compared to 17.8% in fiscal year 1999. The gross margin rate in fiscal year 2000 reflected the impact of a $59.4 million special charge, of which $57.1 million was included in cost of revenue. The special charge was related to HDDG's streamlining of the logistics model, change in customer service strategy and consolidation of certain product development programs. Excluding the impact of the charge, the gross margin rate was 19.8% in fiscal year 2000. The 2 percentage point increase in fiscal year 2000 reflected increased revenues from storage systems and DLTtape media royalties, which have significantly higher margins than our hard disk drive products. The increase also reflected higher margins earned on high-end hard disk drives. Gross margins earned on desktop hard disk drives and DLTtape drives declined, reflecting lower average unit prices.

Research and Development Expenses. Research and development expenses in fiscal year 2000 were $365 million, or 7.7% of revenue, compared to $353 million, or 7.2% of revenue, in fiscal year 1999. The

increase in research and development expenses reflected the inclusion of ATL's expenses which were not included in the first two quarters of fiscal year 1999, as the acquisition occurred on September 28, 1998, the inclusion of Meridian's expenses which were not included in fiscal year 1999 and the first quarter of fiscal year 2000, as the acquisition occurred on September 10, 1999, and higher research and development expenses related to new tape drive products and other new information storage products, including Super DLTtape technology. This was partially offset by expense reductions in the hard disk drive business associated with the special charge taken in the second quarter of fiscal year 2000.

Sales and Marketing Expenses. Sales and marketing expenses in fiscal year 2000 were $229 million, or 4.8% of revenue, compared to $191 million, or 3.9% of revenue, in fiscal year 1999. The increase in sales and marketing expenses reflected the inclusion of ATL and Meridian's expenses and an increase in marketing and advertising costs associated with storage systems and DLTtape products, partially offset by lower commissions as a result of the reduced level of HDDG revenue.

General and Administrative Expenses. General and administrative expenses in fiscal year 2000 were $129 million, or 2.7% of revenue, compared to $94 million, or 1.9% of revenue, in fiscal year 1999. The increase in general and administrative expenses reflected the inclusion of ATL and Meridian's expenses, the amortization of intangible assets, particularly goodwill, and an increase in the provision for bad debt due to the bankruptcy of a distributor in fiscal year 2000.

Purchased In-process Research and Development Expense. The Company expensed purchased in-process research and development costs of $37 million as a result of the Meridian acquisition in the second quarter of fiscal year 2000, and $89 million as a result of the ATL acquisition in the third quarter of fiscal year 1999. For additional information regarding the Meridian and ATL acquisitions and the costs associated with in-process research and development, refer to Note 5 of the Notes to Consolidated Financial Statements.

Special Charge--HDDG. During the second quarter of fiscal year 2000, the Company's Hard Disk Drive group recorded a special charge of $59.4 million, of which $57.1 million is included in cost of revenue and $2.3 million is included in operating expenses. The charge reflected HDDG's strategy to modify the hard disk drive business to more closely align product development and the business's operating model with the requirements of the rapidly growing low-cost PC market. The special charge was associated primarily with the streamlining of HDDG's logistics model in order to create a faster and more flexible fulfillment system, changes in the customer service strategy and consolidation of certain product development programs.

The special charge consisted of $26.4 million related to facilities costs, $13.2 million in asset write-offs related to the streamlining of the global logistics model and change in customer service strategy, $7.8 million in severance and benefits for terminated employees, and approximately $12 million in other costs associated with the plan.

Subsequent to the end of the second quarter of fiscal year 2000, HDDG revised its estimate of costs required to implement the restructuring plan. HDDG currently estimates that severance and benefits, inventory and other costs, which include the disposition of additional capital assets, will be more than previously estimated as a result of changes in the customer service strategy. HDDG also estimates that costs associated with vacating leased facilities will be less than previously estimated as a result of vacating a major facility earlier than previously expected. Accordingly, HDDG has reallocated amounts between these categories.

Upon full implementation of the plan, HDDG expects to realize more than $100 million in cost savings per year, beginning in fiscal year 2001. The majority of the savings are expected in cost of revenue as a result of a more efficient distribution system and reduced customer service costs, with the remaining savings in research and development, as a result of the consolidation of product development programs. As compared to fiscal year 2000, HDDG expects operating expenses to be relatively flat in fiscal year 2001, with increased investments in disk drive and other storage products, primarily reflected in research and development, offsetting the cost savings resulting from the special charge. These expectations are forward-looking statements and actual results may differ.

Special Charge--DSSG. During the fourth quarter of fiscal year 2000, the Company's DLT & Storage Systems group recorded a special charge of $40.1 million. The charge was primarily focused on DSSG's DLTtape Division and reflected DSSG's strategy to align its DLTtape drive operations with market conditions. These conditions include slower growth in the mid-range server market and increasing centralization of server backup through automation solutions, both of which have resulted in relatively flat DLTtape drive shipments. The special charge included a reduction of overhead expenses throughout the DLTape Division and an acceleration of DSSG's low cost manufacturing strategy, which includes moving volume production of DLTtape drives from Colorado Springs, Colorado to Penang, Malaysia.

The special charge consisted of $13.5 million in facility related costs, $13.9 million for the write-off of investments in optical technology, $7.6 million for severance and benefits for terminated employees, $3.2 million for fixed assets to be written-off, primarily related to the transfer of manufacturing to Penang, Malaysia and $1.9 million in other costs associated with the plan.

DSSG expects to realize annual cost savings from the plan of approximately $40 million beginning upon full implementation of the plan at the end of fiscal year 2001. Approximately $30 million of the savings are expected in cost of revenue as a result of reduced manufacturing costs with the remaining amount in operating expenses, primarily research and development, as a result of ending research on certain optical-based storage solutions. As compared to fiscal year 2000, DSSG expects operating expenses to increase because of increased investments in storage systems products and marketing in fiscal year 2001 and as a result of including the Snap Division's operations for a full year following the acquisition of Meridian in September 1999. These expectations are forward-looking statements and actual results may differ.

Interest and Other Income/Expense. Net interest and other income and expense in fiscal year 2000 was $12.6 million income, compared to $2.4 million expense in fiscal year 1999. The income for fiscal year 2000 reflected increased interest income as a result of higher cash balances and a $2.6 million gain on the sale of an equity investment. In addition, the expense in fiscal year 1999 reflected a $6.8 million write-down of an equity investment.

Loss from Investee. The loss from investee reflected the Company's 49% share in the operating losses of its recording heads joint venture with MKE, which was dissolved in the third quarter of fiscal year 1999. The Company's share of the loss in the joint venture for fiscal year 1999 was $142.1 million. See Note 7 of the Notes to Consolidated Financial Statements for additional discussion of the dissolution of the recording heads joint venture.

Income Taxes. The effective tax rate in fiscal year 2000, excluding the write-off of purchased in-process research and development, was 38%, compared to 33% in fiscal year 1999. The higher effective tax rate was primarily attributable to decreased benefits from foreign earnings taxed at less than the U.S. rate. Additionally, no tax benefit was recognizable for the charge for purchased in-processed research and development.

Net Income (Loss). The Company reported net income of $41 million in fiscal year 2000, compared to a net loss of $30 million in fiscal year 1999. The increase reflected the absence of the $101 million charge related to the recording heads joint venture dissolution in fiscal year 1999 and the lower charge for purchased in-process research and development in fiscal year 2000, partially offset by increased operating expenses and the special charges.

Fiscal Year 1999 Compared With Fiscal Year 1998

Revenue. Revenue in fiscal year 1999 was $4.9 billion, compared to $5.8 billion in fiscal year 1998, a decrease of 16%. The decrease in revenue reflected lower revenue from sales of desktop and high-end hard disk drives, partially offset by an increase in DLTtape drive revenue, total DLTtape media cartridge revenue and the inclusion of ATL's revenue effective September 28, 1998. We continued to experience favorable market conditions for DLTtape products, and experienced strong demand and increased sales for these products in the

second half of fiscal year 1999 as compared to the second half of fiscal year 1998. The decline in desktop hard disk drive revenue reflected a decline in average unit prices and, to a lesser extent, a lower level of shipments to leading computer equipment manufacturers. The decline in average unit prices reflected the intense competitive pricing pressures in fiscal year 1999, and the growth of the low cost PC market, which has become a higher proportion of the overall desktop PC market. Although high-end hard disk drive shipments increased in fiscal year 1999, increased competitive pricing pressures resulted in reduced average unit prices and lower high-end hard disk drive revenue.

Sales to our top five customers in fiscal year 1999 represented 46% of revenue, compared to 45% of revenue in fiscal year 1998. These amounts reflected a retroactive combination of the sales to Compaq and Digital Equipment as a result of their merger in June 1998 as well as a retroactive combination of sales to Ingram Micro Inc. and Electronic Resources Limited as a result of the completion of their merger in July 1999. Sales to Compaq were 14% of revenue in fiscal year 1999, compared to 18% of revenue in fiscal year 1998, including sales made to Digital Equipment. Sales to Hewlett-Packard were 14% of revenue in fiscal year 1999, compared to 13% of revenue in fiscal year 1998.

Sales to computer equipment manufacturers and distribution channel customers were 63% and 34% of revenue, respectively, in fiscal year 1999 compared to 63% and 37% of revenue in fiscal year 1998. The remaining revenue in fiscal year 1999 represented DLTtape media cartridge royalty revenue and sales to value added resellers.

Gross Margin Rate. The gross margin rate in fiscal year 1999 was 17.8%, compared to 15.1% in fiscal year 1998. The gross margin rate in fiscal year 1998 reflected the impact of a $103 million special charge related to the transition to a new generation of high-end disk drive products, and consisted primarily of inventory write-offs and adjustments, and losses related to firm inventory purchase commitments. Excluding the special charge, the gross margin rate was 16.9% in fiscal year 1998. The 0.9 percentage point increase in fiscal year 1999 reflected increased revenues from DLTtape media cartridge royalties, as well as an increased proportion of revenue from higher margin DLTtape and library products. This was partially offset by the decline in gross margins earned on desktop hard disk drives as a result of intense competitive pricing pressures in fiscal year 1999.

Research and Development Expenses. Research and development expenses in fiscal year 1999 were $353 million, or 7.2% of revenue, compared to $322 million, or 5.5% of revenue, in fiscal year 1998. This increase reflected higher expenses related to new tape drive products and new information storage products and technologies, including Super DLTtape technology and, to a significantly lesser extent, optical storage technology and the inclusion of ATL's expenses.

Sales and Marketing Expenses. Sales and marketing expenses in fiscal year 1999 were $191 million, or 3.9% of revenue, compared to $169 million, or 2.9% of revenue, in fiscal year 1998. This increase reflected the inclusion of ATL's expenses and an increase in marketing and advertising costs associated with DLTtape products.

General and Administrative Expenses. General and administrative expenses in fiscal year 1999 were $94 million, or 1.9% of revenue, compared to $89 million, or 1.5% of revenue, in fiscal year 1998. The increase in general and administrative expenses reflected the expansion of DSSG's infrastructure to support increased revenue and earnings growth and the inclusion of ATL's expenses, partially offset by the impact of cost control efforts.

Purchased In-process Research and Development Expense. The Company expensed purchased in-process research and development costs of $89 million as a result of the ATL acquisition in fiscal year 1999. For additional information regarding the ATL acquisition and the costs associated with in-process research and development, see Note 5 of the Notes to Consolidated Financial Statements.

Interest and Other Income/Expense. Net interest and other income and expense in fiscal year 1999 was $2.4 million expense, compared to $1.5 million income in fiscal year 1998. The expense in fiscal year 1999 reflected a $6.8 million write-down of an equity investment.

Loss from Investee. The Company's investment and operating results related to its recording heads business have resulted in significant losses. The Company acquired a recording heads business from Digital Equipment in October 1994. In May 1997, the Company sold a 51% majority interest in its recording heads operations to MKE, and formed a recording heads joint venture with MKE. On October 28, 1998, Quantum and MKE agreed to dissolve the recording heads joint venture. In connection with the dissolution, Quantum recorded a $101 million loss in the third quarter of fiscal year 1999. This loss included a write-off of Quantum's investment in the recording heads joint venture, a write-down of Quantum's interest in facilities in Louisville, Colorado, and Shrewsbury, Massachusetts that were occupied by the recording heads joint venture, warranty costs resulting from magneto-resistive recording heads manufactured by the recording heads joint venture, and Quantum's 49% pro rata share in funding the recording heads joint venture's repayment of its obligations, primarily bank debt, accounts payable and other liabilities. See Note 7 of the Notes to Consolidated Financial Statements for additional discussion of the dissolution of the recording heads joint venture.

Income Taxes. The effective tax rate in fiscal year 1999, excluding the write-off of the purchased in-process research and development, was 33%, compared to 26% in fiscal year 1998. The higher effective tax rate was primarily attributable to decreased benefits from foreign earnings taxed at less than the U.S. rate, a lower research and development credit, and increased state taxes. The remaining state valuation allowance was reversed in fiscal year 1998 as a result of the realization of the state deferred tax assets through tax planning. No tax benefit was currently recognizable for the charge for purchased in-process research and development.

Net Income (Loss). The Company reported a net loss of $30 million in fiscal year 1999, compared to net income of $171 million in fiscal year 1998. The decrease reflected the charge for purchased in-process research and development of $89 million, the $101 million loss related to the recording heads joint venture dissolution and the increase in operating expenses.

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments and hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. Management does not expect SFAS No. 133 to have a material effect on the Company's financial position or results of operations. Implementation of this standard has recently been delayed by the FASB for a 12-month period. The Company is required to adopt SFAS 133 in fiscal year 2002.

In December 1999, the Securities and Exchange Commission ("SEC") issued SEC Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." SAB 101 summarized certain of the SEC's views in applying generally accepted accounting principles to revenue recognition in financial statements. SAB 101 will be effective for the Company in the first quarter of fiscal year 2001. The Company is reviewing the requirements of SAB 101 and currently believes that its revenue recognition policy is consistent with the guidance of SAB 101.

In March 2000, FASB issued FASB Interpretation No. 44 ("FIN 44"), "Accounting for Certain Transactions Involving Stock Compensation--an Interpretation of Accounting Principles Board ("APB") Opinion No. 25." FIN 44 clarifies the following: the definition of an employee for purposes of applying APB Opinion No. 25; the criteria for determining whether a plan qualifies as a noncompensatory plan; the accounting consequence of various modifications to the terms of the previously fixed stock options or awards; and the accounting for an exchange of stock compensation awards in a business combination. FIN 44 is effective July 1, 2000, but certain conclusions in FIN 44 cover specific events that occurred after either December 15, 1998 or January 12, 2000. Management does not expect the application of FIN 44 to have a material impact on the Company's financial position or results of operations.

Liquidity and Capital Resources

Cash, cash equivalents and marketable securities were $950 million at March 31, 2000 compared to $797 million at March 31, 1999. The Company used cash in fiscal year 2000 primarily to purchase $325 million of treasury stock, as discussed below, and to invest in property and equipment. Cash was provided by operating activities, primarily net income, a reduction in inventories and accounts receivable, and an increase in accounts payable.

During fiscal year 2000, the Board of Directors authorized the Company to repurchase up to $700 million of the Company's common stocks in open market or private transactions. Of the total repurchase authorization, $600 million was authorized for repurchase of either Quantum, DSSG or HDDG common stock, while $100 million was authorized for repurchase of HDDG common stock. During fiscal year 2000, the Company repurchased 3.9 million shares of Quantum common stock, 15.7 million shares of DSSG common stock and 3.5 million shares of HDDG common stock for a combined total of $325 million dollars. The Company has utilized equity instrument contracts, including call and put options, as part of its stock repurchase program. At March 31, 2000, the Company held equity instrument contracts that related to the purchase of 8 million shares of DSSG common stock at an average price of $10.48 per share. By May 8, 2000, the Company had closed out its outstanding equity instrument contracts and repurchased 8 million shares of DSSG common stock for a total cost of $84 million. The equity instruments had no effect on diluted earnings per common share for fiscal year 2000.

In September 1999, the Company issued 4.1 million DSSG shares and 2 million HDDG shares to the stockholders of Meridian to complete the acquisition of Meridian. Substantially all of the shares the Company issued to complete the acquisition were DSSG and HDDG shares held as treasury stock. The difference between the cost of the treasury stock and the value at which the shares were reissued resulted in a $3.5 million addition to paid-in-capital in fiscal year 2000. For additional information regarding the Meridian acquisition, refer to Note 5 of the Notes to Consolidated Financial Statements.

In December 1998, ATL entered into a senior credit facility that provides a $35 million revolving credit line to ATL. The revolving credit line is co-terminous with the Company's $500 million revolving credit line, expiring in June 2000. As amended, at the option of ATL, borrowings under the revolving credit line bear interest at either the London interbank offered rate plus a margin determined by the Company's total funded debt ratio, or at a base rate, with option periods of two weeks to six months. At March 31, 2000, there was no outstanding balance drawn on this line.

The Company filed a registration statement, which became effective on July 24, 1997, pursuant to which the Company may issue debt or equity securities, in one or more series or issuances, limited to $450 million aggregate public offering price. Under the registration statement, in July 1997, the Company issued $288 million of 7% convertible subordinated notes. The notes mature on August 1, 2004, and are convertible at the option of the holder at any time prior to maturity, unless previously redeemed, into shares of HDDG common stock and DSSG common stock. The notes are convertible into 6,206,152 shares of DSSG common stock, or 21.587 shares per $1,000 note, and 3,103,076 shares of HDDG common stock, or 10.793 shares per $1,000 note. The Company has the option to redeem the notes on or after August 1, 1999 and prior to August 1, 2001, under certain conditions related to the price of the Company's common stocks. Subsequent to August 1, 2001, the Company may redeem the notes at any time. In the event of certain changes involving all or substantially all of the Company's common stocks, the holder would have the option to redeem the notes. Redemption prices range from 107% of the principal to 100% at maturity. The notes are unsecured obligations subordinated in right of payment to all of the Company's existing and future senior indebtedness.

In June 1997, the Company entered into an unsecured senior credit facility that provides a $500 million revolving credit line and expires in June 2000. At the Company's option, borrowings under the revolving credit line bear interest at either the London interbank offered rate plus a margin determined by our total funded debt ratio, or at a base rate, with option periods of one to six months. At March 31, 2000, there was no outstanding balance drawn on this line.

In September 1996, the Company entered into a $42 million mortgage financing related to certain domestic facilities at an effective interest rate of approximately 10.1%. The term of the mortgage is 10 years. The Company is required to make monthly payments based on a 20-year amortization period, and a balloon payment at the end of the 10-year term.

In April 2000, both the Company and ATL canceled their existing senior credit facilities and the Company entered into two new unsecured senior credit facilities, each providing a $187.5 million revolving credit line and expiring in April 2001 and April 2003, respectively. At the Company's option, borrowings under the revolving credit lines will bear interest at either the London interbank offered rate or at a base rate, plus a margin determined by a leverage ratio with option periods of one to six months.

The Company expects to spend approximately $115 million in fiscal year 2001 for capital equipment and leasehold improvements. These capital expenditures will support the disk drive and tape drive businesses, research and development, and general corporate operations.

The Company believes that its existing capital resources, including the credit facilities and any cash generated from operations, will be sufficient to meet all currently planned expenditures and sustain operations for the next 12 months. However, this belief assumes that operating results and cash flow from operations will meet our expectations.

In the future, the Company may seek to raise cash through the issuance of debt or equity securities. There can be no assurance that such financing would be available on terms favorable to the Company if at all.

See Note 8 of the Notes to Consolidated Financial Statements for additional information regarding long-term debt.

Financial Market Risks

The Company is exposed to a variety of risks, including changes in interest rates, foreign currency fluctuations and marketable equity security prices. To manage the volatility relating to these exposures, the Company enters into various derivative transactions pursuant to the Company's policies to hedge against known or forecasted market exposures.

Changes in interest rates affect interest income earned on the Company's cash equivalents and short-term investments, and interest expense on short-term and long-term borrowings. The Company does not enter into derivative transactions related to its cash, cash equivalents or short-term investments, nor existing or anticipated liabilities.

As a multinational corporation, the Company is exposed to changes in foreign exchange rates. These exposures may change over time and could have a material adverse impact to our financial results.

The Company utilized foreign currency forward contracts to manage the risk of exchange rate fluctuations. In all cases, the Company uses these derivative instruments to reduce its foreign exchange risk by essentially creating offsetting market exposures. The instruments held by the Company are not leveraged and are not held for trading or speculative purposes.

The Company uses forward exchange contracts to hedge its net asset or net liability position, which primarily consists of inter-company balances, foreign tax liabilities and non-functional currency denominated receivables. The hedging activity is intended to manage the effects of foreign currency remeasurement arising from certain assets and liabilities denominated in foreign currency. The success of the hedging program depends on forecasts of transaction activity in the various currencies. To the extent that these forecasts are overstated or understated during periods of currency volatility, the Company could experience unanticipated currency gains or losses.

The Company is exposed to equity price risk on its investment in TiVo, Inc. common stock. The Company does not attempt to reduce or eliminate its market exposure on this security. The Company entered into a strategic alliance with TiVo in fiscal year 1999 to supply hard disk drives utilizing Quantum's QuickView technology for

integration into TiVo's Personal Video Recorder. At March 31, 2000, the fair market value of the Company's investment was approximately $30 million. As TiVo is a relatively new company and has introduced a new product in the consumer electronics market, the Company does not believe it is possible to reasonably estimate any future price movement of TiVo common stock.

Year 2000

The Company established a comprehensive program to address the year 2000 computer issue. To ensure year 2000 compliance for all of its systems, the Company adopted an approach based on the U.S. General Accounting Office Year 2000 Assessment Guide. The Company determined by the end of calendar year 1999 that all internal computer systems and products were year 2000 compliant. The Company assessed, remedied and certified all critical, key and active areas of its operations, which include information technology, operating equipment with embedded chips or software and products. In addition, the Company completed the assessment, resolution, testing, and certification of critical and key third parties.

Costs incurred in addressing the year 2000 issue have been approximately $11 million, with $7.3 million and $3.7 million of this cost in the Hard Disk Drive group and the DLT & Storage Systems group, respectively. The Company currently does not expect any significant additional costs related to year 2000 issues. However, as the year 2000 progresses, the Company may address issues as yet unknown, which may result in additional costs. The Company did not defer any significant system projects due to the year 2000 program.

To date, there have been no reportable year 2000 computer issues in our systems, applications, processes or supply chains and the Company resumed normal business activities on schedule in January 2000. While this primary event horizon was successfully managed, the Company continues to maintain its vigilance as the year 2000 progresses. The Company does not expect any significant disruption to its operations or operating results as a result of year 2000 issues; however, the extent to which such issues may affect the Company is uncertain. The Company cannot assure that it will be able to assess, identify and correct as yet unknown year 2000 issues in a timely or successful manner. The Company also cannot assure that its suppliers, service providers, customers or other third parties will remain free of year 2000 problems.

Euro Impact

The Company believes that the adoption of a single currency, the Euro, by eleven European countries has not and will not materially affect its business, information systems or consolidated financial position, operating results or cash flows.

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

To the Board of Directors and Stockholders of
Quantum Corporation

We have audited the accompanying consolidated balance sheets of Quantum Corporation (the "Company") as of March 31, 1999 and 2000, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended March 31, 2000. Our audits also included the financial statement schedule listed in the index at Item 14a. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits. We did not audit the consolidated financial statements of MKE-Quantum Components LLC ("MKQC"), a forty-nine percent equity investee of the Company, which statements reflect a net loss of $134.8 million for the period from May 16, 1997 (inception) through March 31, 1998. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to data included for MKQC, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the 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 and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Quantum Corporation at March 31, 1999 and 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2000, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

San Jose, California
April 24, 2000

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Members
MKE-Quantum Components LLC:

We have audited the accompanying consolidated balance sheet of MKE-Quantum Components LLC and subsidiaries as of March 31, 1998 and the related consolidated statements of operations, members' equity, and cash flows for the period from May 16, 1997 (Inception) through March 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MKE-Quantum Components LLC and subsidiaries as of March 31, 1998, and the results of their operations and their cash flows for the period from May 16, 1997 (Inception) through March 31, 1998 in conformity with generally accepted accounting principles.

/s/ KPMG LLP

Boston, Massachusetts
April 14, 1998, except for notes 6(b) and 12
which are as of June 5, 1998

QUANTUM CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

<TABLE>
<CAPTION>

	Year Ended March 31,		
	1998	1999	2000
<S>	<C>	<C>	<C>
Revenue	$5,805,235	$4,902,056	$4,727,204
Cost of revenue--on net sales	4,929,714	4,030,718	3,791,176
Cost of revenue--special charge	--	--	57,068
Gross profit	875,521	871,338	878,960
Operating expenses:			
Research and development	321,741	353,223	365,204
Sales and marketing	169,031	191,126	228,636
General and administrative	89,364	93,750	129,132
Purchased in-process research and development	--	89,000	37,000
Special charge	--	--	42,421
	580,136	727,099	802,393
Income from operations	295,385	144,239	76,567
Interest income and other, net	34,243	25,107	40,988
Interest expense	(32,753)	(27,481)	(28,385)
Loss from investee	(66,060)	(142,050)	--
Income (loss) before income taxes	230,815	(185)	89,170
Income tax provision	60,014	29,350	48,326
Net income (loss)	$ 170,801	$ (29,535)	$ 40,844
Quantum common stock(1):			
Net income (loss)	$ 170,801	$ (29,535)	$ (17,193)
Net income (loss) per share:			
Basic	$ 1.25	$ (0.18)	$ (0.10)
Diluted	$ 1.07	$ (0.18)	$ (0.10)
Weighted-average common shares:			
Basic	136,407	160,670	165,788
Diluted	166,016	160,670	165,788
DLT & Storage Systems group common stock(1):			
Net income			$ 85,586
Net income per share:			
Basic			$ 0.53
Diluted			$ 0.51
Weighted-average common shares:			
Basic			162,023
Diluted			167,734
Hard Disk Drive group common stock(1):			
Net loss			$ (27,549)
Net loss per share:			
Basic			$ (0.33)
Diluted			$ (0.33)
Weighted-average common shares:			
Basic			83,018
Diluted			83,018

</TABLE>

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(1) As discussed in Note 1 of the Notes to Consolidated Financials Statements, a recapitalization occurred on August 3, 1999. As a result, net loss per share for Quantum common stock, for the year ended March 31, 2000, reflects net loss through the recapitalization date, while net income (loss) per

share for the DLT & Storage Systems group common stock and the Hard Disk Drive group common stock, for the year ended March 31, 2000, reflects results from August 4, 1999 through the end of fiscal year 2000.

See accompanying notes to consolidated financial statements.

QUANTUM CORPORATION

CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

<TABLE>
<CAPTION>

	March 31, 1999	March 31, 2000
Assets		
Current assets:		
Cash and cash equivalents	$ 772,368	$ 918,262
Marketable securities	24,426	32,080
Accounts receivable, net of allowance for doubtful accounts of $12,130 and $23,110, respectively	646,557	609,225
Inventories	271,986	223,825
Deferred taxes	107,701	133,382
Other current assets	104,835	96,780
Total current assets	1,927,873	2,013,554
Property, plant and equipment, less accumulated depreciation	271,928	236,685
Intangible assets, less accumulated amortization	225,567	250,203
Other assets	58,228	33,510
	$2,483,596	$2,533,952
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 406,369	$ 470,210
Accrued warranty	76,905	99,560
Accrued compensation	73,605	90,452
Income taxes payable	33,411	44,284
Accrued special charges	--	43,363
Current portion of long-term debt	1,024	1,033
Other accrued liabilities	90,691	105,345
Total current liabilities	682,005	854,247
Deferred taxes	67,340	55,336
Long-term debt	56,961	37,838
Convertible subordinated debt	287,500	287,500
Commitments and contingencies		
Stockholders' equity:		
Preferred Stock:		
Quantum Corporation preferred stock, $.01 par value; 4,000,000 and 20,000,000 shares authorized at March 31, 1999 and 2000, respectively; no shares issued at March 31, 1999 and 2000	--	--
Common Stock:		
Quantum Corporation common stock, $.01 par value; 500,000,000 shares and no shares authorized at March 31, 1999 and 2000, respectively; 167,406,738 shares and no shares issued and outstanding at March 31, 1999 and 2000, respectively	1,675	--
DSSG common stock, $.01 par value; no shares and 1,000,000,000 shares authorized at March 31, 1999 and 2000, respectively; no shares and 157,422,824 shares issued and outstanding at March 31, 1999 and 2000, respectively	--	1,574
HDDG common stock, $.01 par value; no shares and 600,000,000 shares authorized at March 31, 1999 and 2000, respectively; no shares and 83,784,277 shares issued and outstanding at March 31, 1999 and 2000, respectively	--	838
Capital in excess of par value	884,759	734,608
Retained earnings	504,206	545,050
Accumulated other comprehensive income (loss)	(850)	16,961
Total stockholders' equity	1,389,790	1,299,031
	$2,483,596	$2,533,952

</TABLE>

See accompanying notes to consolidated financial statements.

QUANTUM CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended March 31, 1998	1999	2000
Cash flows from operating activities:			
Net income (loss)	$ 170,801	$ (29,535)	$ 40,844
Adjustments to reconcile net income (loss) to net cash provided by operations:			
Loss from investee	66,060	124,809	--
Special charge	--	--	90,468
Purchased in-process research and development	--	89,000	37,000
Depreciation	78,067	92,522	98,646
Amortization	13,532	20,413	31,923
Deferred taxes	(6,001)	22,904	(7,315)
Compensation related to stock incentive plans	4,236	5,636	7,868
Changes in assets and liabilities:			
Accounts receivable	149,549	114,792	37,696
Inventories	(62,233)	67,149	49,302
Accounts payable	(55,826)	(56,211)	61,726
Income taxes payable	8,624	(6,367)	10,873
Accrued warranty	(20,972)	2,037	22,070
Other assets and liabilities	(61,485)	16,740	15,568
Net cash provided by operating activities	284,352	463,889	496,669
Cash flows from investing activities:			
Purchases of marketable securities	(71,573)	(78,145)	(37,890)
Maturities of marketable securities	--	125,292	70,400
Purchases of equity securities	(15,000)	(1,750)	(4,147)
Acquisition of intangible assets	(25,850)	--	(2,500)
Proceeds from sale of interest in recording heads operations	94,000	--	--
Investment in property and equipment	(149,749)	(115,662)	(85,608)
Proceeds from disposition of property and equipment	5,962	143	--
Proceeds from repayment of note receivable	18,000	--	3,126
Net cash used in investing activities	(144,210)	(70,122)	(56,619)
Cash flows from financing activities:			
Proceeds from long-term credit facilities	--	33,545	10,000
Purchase of treasury stock	--	(305,287)	(324,698)
Principal payments on long-term credit facilities	(180,977)	(34,090)	(29,114)
Proceeds from issuance of common stock, net	50,360	42,283	49,656
Proceeds from issuance of convertible subordinated notes	287,500	--	--
Net cash provided by (used in) financing activities	156,883	(263,549)	(294,156)
Increase in cash and cash equivalents	297,025	130,218	145,894
Cash and cash equivalents at beginning of period	345,125	642,150	772,368
Cash and cash equivalents at end of period	$ 642,150	$ 772,368	$ 918,262
Supplemental disclosure of cash flow information:			
Conversion of debentures to common stock	$ 241,350	$ --	$ --
Conversion of redeemable preferred stock to common stock	$ 3,888	$ --	$ --
Cash paid during the year for:			
Interest	$ 29,030	$ 26,721	$ 26,878

Income taxes	$ 62,615	$ 2,718	$ 28,469
Tangible and intangible assets acquired for shares of Quantum, DSSG and HDDG common stock, net of cash acquired and liabilities assumed	$ --	$ 289,474	$ 104,698

</TABLE>

See accompanying notes to consolidated financial statements.

QUANTUM CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

<TABLE>
<CAPTION>

	Quantum Corporation Common Stock		DLT & Storage Systems Group Common Stock		Hard Disk Drive Group Common Stock		Capital in Excess of Par Value
	Shares	Amount	Shares	Amount	Shares	Amount	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balances at March 31, 1997	130,864	$ 1,308	--	$ --	--	$--	$ 458,492
Comprehensive income:							
Net income	--	--	--	--	--	--	--
Other comprehensive loss--foreign currency translation adjustments	--	--	--	--	--	--	--
Comprehensive income	--	--	--	--	--	--	--
Conversion of subordinated debentures	21,626	216	--	--	--	--	236,506
Conversion of Series B preferred shares	180	2	--	--	--	--	3,886
Shares issued under employee stock purchase plan	3,454	35	--	--	--	--	21,442
Shares issued under employee stock option plans, net	4,755	48	--	--	--	--	28,835
Compensation expense and other	--	--	--	--	--	--	4,236
Tax benefits related to stock option plans	--	--	--	--	--	--	21,285
Balances at March 31, 1998	160,879	1,609	--	--	--	--	774,682
Comprehensive loss:							
Net loss	--	--	--	--	--	--	--
Other comprehensive income--foreign currency translation adjustments	--	--	--	--	--	--	--
Comprehensive loss	--	--	--	--	--	--	--
Shares issued under employee stock purchase plan	2,555	26	--	--	--	--	24,014
Shares issued under employee stock option plans, net	2,502	25	--	--	--	--	18,218
Treasury shares repurchased	(15,477)	--	--	--	--	--	--
Treasury shares reissued for ATL acquisition	15,477	--	--	--	--	--	--
New shares issued for ATL acquisition	1,471	15	--	--	--	--	22,973
Conversion of ATL stock options	--	--	--	--	--	--	22,367
Compensation expense and other	--	--	--	--	--	--	5,636
Tax benefits related to stock option plans	--	--	--	--	--	--	16,869
Balances at March 31, 1999	167,407	1,675	--	--	--	--	884,759
Comprehensive income:							
Net income	--	--	--	--	--	--	--

Other comprehensive income:							
Foreign currency translation adjustments.........	--	--	--	--	--	--	--
Unrealized gain on investments, net of income taxes of $12,025............	--	--	--	--	--	--	--
Other comprehensive income..............	--	--	--	--	--	--	--
Comprehensive income....	--	--	--	--	--	--	--
Shares issued under employee stock purchase plan..................	829	8	1,145	11	572	6	25,462
Shares issued under employee stock option plans, net............	1,065	10	2,526	25	1,923	19	31,331
Treasury shares repurchased--Quantum common stock..........	(3,868)	--	--	--	--	--	--
Recapitalization (August 3, 1999)..............	(165,433)	(1,693)	165,433	1,693	82,716	846	(846)
Tracking stock issuance costs.................	--	--	--	--	--	--	(7,216)
Treasury shares reissued for Meridian acquisition...........	--	--	3,868	--	1,934	--	3,505
New shares issued for Meridian acquisition...	--	--	186	2	93	1	4,216
Conversion of Meridian stock options..........	--	--	--	--	--	--	10,276
Treasury shares repurchased and retired--DSSG and HDDG common stock..........	--	--	(15,735)	(157)	(3,454)	(34)	(240,268)
Compensation expense and other.................	--	--	--	--	--	--	7,868
Tax benefits related to stock option plans.....	--	--	--	--	--	--	15,521
Balances at March 31, 2000..................	--	$ --	157,423	$1,574	83,784	$838	$ 734,608

</TABLE>

See accompanying notes to consolidated financial statements.

QUANTUM CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY--(Continued)
(In thousands)

<TABLE>
<CAPTION>

	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
<S>	<C>	<C>	<C>	<C>
Balances at March 31, 1997......	$426,392	$ --	$ --	$ 886,192
Comprehensive income:				
Net income....................	170,801	--	--	170,801
Other comprehensive loss--foreign currency translation adjustments.................	--	(1,462)	--	(1,462)
Comprehensive income...........	--	--	--	169,339
Conversion of subordinated debentures....................	--	--	--	236,722
Conversion of Series B preferred shares........................	--	--	--	3,888
Shares issued under employee stock purchase plan...........	--	--	--	21,477
Shares issued under employee stock option plans, net........	--	--	--	28,883
Compensation expense and other..	--	--	--	4,236
Tax benefits related to stock option plans...................	--	--	--	21,285
Balances at March 31, 1998......	597,193	(1,462)	--	1,372,022

Comprehensive loss:				
Net loss	(29,535)	--	--	(29,535)
Other comprehensive income--foreign currency translation adjustments	--	612	--	612
Comprehensive loss	--	--	--	(28,923)
Shares issued under employee stock purchase plan	--	--	--	24,040
Shares issued under employee stock option plans, net	--	--	--	18,243
Treasury shares repurchased	--	--	(305,287)	(305,287)
Treasury shares reissued for ATL acquisition	(63,452)	--	305,287	241,835
New shares issued for ATL acquisition	--	--	--	22,988
Conversion of ATL stock options	--	--	--	22,367
Compensation expense and other	--	--	--	5,636
Tax benefits related to stock option plans	--	--	--	16,869
Balances at March 31, 1999	504,206	(850)	--	1,389,790
Comprehensive income:				
Net income	40,844	--	--	40,844
Other comprehensive income:				
Foreign currency translation adjustments	--	(212)	--	--
Unrealized gain on investments, net of income taxes of $12,025	--	18,023	--	--
Other comprehensive income	--	17,811	--	17,811
Comprehensive income	--	--	--	58,655
Shares issued under employee stock purchase plan	--	--	--	25,487
Shares issued under employee stock option plans, net	--	--	--	31,385
Treasury shares repurchased--Quantum common stock	--	--	(84,239)	(84,239)
Recapitalization (August 3, 1999)	--	--	--	--
Tracking stock issuance costs	--	--	--	(7,216)
Treasury shares reissued for Meridian acquisition	--	--	84,239	87,744
New shares issued for Meridian acquisition	--	--	--	4,219
Conversion of Meridian stock options	--	--	--	10,276
Treasury shares repurchased and retired--DSSG and HDDG common stock	--	--	--	(240,459)
Compensation expense and other	--	--	--	7,868
Tax benefits related to stock option plans	--	--	--	15,521
Balances at March 31, 2000	$545,050	$16,961	$ --	$ 1,299,031

</TABLE>

See accompanying notes to consolidated financial statements.

QUANTUM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Summary of Significant Accounting Policies

Nature of Business. Quantum Corporation ("Quantum" or "the Company") operates its business through two separate groups: the DLT & Storage Systems group ("DSSG") and the Hard Disk Drive group ("HDDG") as described below.

DSSG designs, develops, manufactures, licenses and markets DLTtape drives, DLTtape media cartridges and storage systems. DSSG's storage systems consist of DLTtape libraries, solid state storage systems, network attached storage appliances and service. DLTtape is DSSG's half-inch tape technology that is the de facto industry standard for data backup in the mid-range server market.

HDDG designs, develops and markets a diversified product portfolio of hard disk drives to meet the storage requirements of entry-level to high-end desktop PCs in home and business environments, and high-end hard disk drives for the storage needs of network servers, workstations and storage sub-systems. HDDG also designs hard disk drives for consumer electronics devices.

Recapitalization. On July 23, 1999, the Company's stockholders approved a tracking stock proposal. As a result, Quantum's Certificate of Incorporation was amended and restated, effective as of the close of business on August 3, 1999, designating two new classes of Quantum Corporation common stock, DLT & Storage Systems group common stock, $.01 par value per share and Hard Disk Drive group common stock, $.01 par value per share. On August 3, 1999, each authorized share of Quantum common stock, $.01 par value per share, was exchanged for one share of DSSG stock and one-half share of HDDG stock. These two securities are intended to track separately the performance of the DLT & Storage Systems group and the Hard Disk Drive group.

Financial Statement Presentation. The accompanying consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All material intercompany accounts and transactions have been eliminated. Certain amounts in prior periods have been reclassified to conform to the current presentation.

Use of Estimates. The preparation of the consolidated financial statements of the Company in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. In particular, significant estimates are required to value inventory and estimate the future cost associated with the Company's warranties. If the actual value of the Company's inventories and associated reserves differs from these estimates, the Company's operating results could be materially adversely impacted. The actual results with regard to warranty expenditures could also have a material adverse impact on the Company if the actual rate of unit failure or the cost to repair a unit is greater than what the Company has used in estimating the warranty expense accrual.

Revenue Recognition. Revenue from sales of products is recognized on passage of title to customers, when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price to the buyer is fixed or determinable and collectibility is reasonably assured, with provision made for estimated returns. The Company accrues royalty revenue based on licensees' sales that incorporate certain licensed technology as reported by the licensees.

Foreign Currency Translation and Transactions. Assets, liabilities, and operations of foreign offices and subsidiaries are recorded based on the functional currency of the entity. For a majority of the Company's material foreign operations, the functional currency is the U.S. dollar. The assets and liabilities of foreign offices with a local functional currency are translated, for consolidation purposes, at current exchange rates from the local currency to the reporting currency, the U.S. dollar. The resulting gains or losses are reported as a component of other comprehensive income (loss) within stockholders' equity. Although close to half of the Company's sales

are made to customers in non-U.S. locations and all of the Company's hard disk drive products are manufactured in Japan, Singapore and Ireland by Matsushita-Kotobuki Electronics Industries, Ltd. ("MKE"), a majority of the Company's material transactions are denominated in U.S. dollars. Accordingly, transaction gains or losses have been immaterial to the Company's consolidated financial statements for all years presented. The effect of foreign currency exchange rate fluctuations on cash was also immaterial for the years presented. Assets and liabilities denominated in other than the functional currency are remeasured each month with the remeasurement gain or loss recorded in other income.

Foreign Exchange Contracts. The effect of foreign currency rate changes on the remeasurement of certain assets and liabilities denominated in a foreign currency are managed using foreign currency forward exchange contracts. Foreign currency forward exchange contracts represent agreements to exchange the currency of one country for the currency of another country at an agreed-upon price, on an agreed-upon settlement date. Foreign currency forward exchange contracts are accounted for by the fair value method, with changes in value recognized in other income.

Equity Instruments Indexed to the Company's Common Stock. Equity instruments are utilized in connection with the Company's stock repurchase program, which give the Company the choice of cash settlement or settlement in shares of common stock. Proceeds received upon the sale of equity instruments and amounts paid upon the purchase of equity instruments are recorded as a component of stockholders' equity. Subsequent changes in the fair value of the equity instruments are not recognized. If the contracts are ultimately settled in cash, the amount of cash paid or received is recorded as a component of stockholders' equity.

Net Income (Loss) Per Share. Net income (loss) per share was calculated on a consolidated basis until DSSG stock and HDDG stock were created as a result of the recapitalization on August 3, 1999. Subsequent to this date, net income (loss) per share was computed individually for DSSG and HDDG.

Cash Equivalents and Marketable Securities. The Company considers all highly liquid debt instruments with a maturity of 90 days or less at the time of purchase to be cash equivalents. Cash equivalents are carried at fair value, which approximates cost. The Company's marketable securities have maturities of more than 90 days at the time of purchase.

The Company has classified all cash equivalents and marketable securities as available-for-sale. Securities classified as available-for-sale are carried at fair value with material unrealized gains and losses reported in stockholders' equity. The cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in interest income. Realized gains and losses and declines in value judged to be other-than-temporary are recorded in other income or expense. The cost of securities sold is based on the specific identification method.

Concentration of Credit Risk. The Company performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral from its customers. Sales to the Company's top five customers in fiscal year 2000 represented 47% of revenue. Two customers accounted for 13% and 12% of revenue, respectively. The Company maintains reserves for potential credit losses and such losses have historically been within management's expectations.

The Company invests its excess cash in deposits with major banks and in money market funds and short-term debt securities of companies with strong credit ratings from a variety of industries. These securities generally mature within 365 days and, therefore, bear minimal risk. The Company has not experienced any material losses on these investments. The Company limits the amount of credit exposure to any one issuer and to any one type of investment.

Investments in Joint Ventures and Other Entities. Investments in joint ventures and other entities are recorded in other assets. Investments in joint ventures are accounted for by the equity method. Dividends are recorded as a reduction of the carrying value of the investment when received.

Investments in other entities (generally less-than-20-percent-owned companies) that are not represented by marketable securities are carried at cost less write-downs for declines in value that are judged to be other-than-temporary. Dividends are recorded in other income when received.

Inventories. Inventories are carried at the lower of cost or market. Cost is determined on a first-in, first-out basis.

Property, Plant and Equipment. Property, plant and equipment are carried at cost, less accumulated depreciation and amortization computed on a straight-line basis over the lesser of the estimated useful lives of the assets (generally three to ten years for machinery, equipment, furniture, and leasehold improvements; and twenty-five years for buildings) or the lease term.

Acquired Intangible Assets. Goodwill and other acquired intangible assets are amortized over their estimated useful lives, which range from two to fifteen years. The accumulated amortization at March 31, 1999 and 2000 was $18 million and $42 million, respectively. Intangible assets are reviewed for impairment whenever events or circumstances indicate impairment might exist, or at least annually. The Company assesses the recoverability of its assets, including goodwill, by comparing projected undiscounted net cash flows associated with those assets against their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets.

Warranty Expense. The Company generally warrants its products against defects for a period of one to five years. A provision for estimated future costs and estimated returns for credit relating to warranty are recorded when products are shipped and revenue recognized.

Advertising Expense. The Company accrues for co-operative advertising as the related revenue is earned, and other advertising expense is recorded as incurred. Advertising expense for the years ended March 31, 1998, 1999 and 2000, was $41 million, $46 million, and $51 million, respectively.

Stock-Based Compensation. The Company accounts for its stock-based employee compensation plans in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" and related Interpretations.

Risks and Uncertainties. As is typical in the information storage industry, a significant portion of the Company's customer base is concentrated with a small number of OEMs, and the Company is not able to predict whether there will be any significant change in the demand for its customers' products. The loss of any one of the Company's more significant customers could have a material adverse effect on the Company's results of operations. A limited number of disk and tape drive storage products make up a significant majority of the Company's sales, and due to increasingly rapid technological change in the industry, the Company's future depends on its ability to develop and successfully introduce new products. Quantum utilizes a third party, MKE, to manufacture all of the hard disk drive products it sells. The Company relies on MKE's ability to bring new products rapidly to volume production and to meet stringent quality standards. MKE manufactures Quantum's drives in Japan, Singapore, and Ireland. If MKE were unable to satisfy Quantum's production requirements, the Company would not have an alternative source to meet the demand for its products without substantial delay and disruption to its operations.

Derivative Instruments and Hedging Activities. In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative

Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments and hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. Management does not expect SFAS No. 133 to have a material effect on the Company's financial position or results of operations. Implementation of this standard has recently been delayed by the FASB for a 12-month period. The Company is required to adopt SFAS 133 in fiscal year 2002.

Revenue Recognition and Financial Statements. In December 1999, the Securities and Exchange Commission ("SEC") issued SEC Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." SAB 101 summarized certain of the SEC's views in applying generally accepted accounting principles to revenue recognition in financial statements. SAB 101 will be effective for the Company in the first quarter of fiscal year 2001. The Company is reviewing the requirements of SAB 101 and currently believes that its revenue recognition policy is consistent with the guidance of SAB 101.

Certain Transactions Involving Stock Compensation. In March 2000, FASB issued FASB Interpretation No. 44 ("FIN 44"), "Accounting for Certain Transactions Involving Stock Compensation--an Interpretation of APB Opinion No. 25." FIN 44 clarifies the following: the definition of an employee for purposes of applying APB Opinion No. 25; the criteria for determining whether a plan qualifies as a noncompensatory plan; the accounting consequence of various modifications to the terms of the previously fixed stock options or awards; and the accounting for an exchange of stock compensation awards in a business combination. FIN 44 is effective July 1, 2000, but certain conclusions in FIN 44 cover specific events that occurred after either December 15, 1998 or January 12, 2000. Management does not expect the application of FIN 44 to have a material impact on the Company's financial position or results of operations.

Note 2 Financial Instruments

Available-For-Sale Securities

The following is a summary of available-for-sale securities, all of which are classified as cash equivalents and marketable securities:

<TABLE>
<CAPTION>

	March 31, 1999		March 31, 2000	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)			
<S>	<C>	<C>	<C>	<C>
Certificates of deposit.............	$499,400	$499,400	$590,171	$590,171
Money market funds..................	125,200	125,200	131,900	131,900
Corporate commercial paper and bank notes..............................	58,484	58,486	128,222	128,246

U.S. Treasury securities and obligations of U.S. government agencies	100,589	100,589	28,952	28,962
Equity securities	--	--	8	30,048
Other	5,121	5,121	14,500	14,500
	$788,794	$788,796	$893,753	$923,827
Included in cash and cash equivalents	$764,368	$764,368	$891,713	$891,747
Included in marketable securities	24,426	24,428	2,040	32,080
	$788,794	$788,796	$893,753	$923,827

</TABLE>

The difference between the amortized cost of available-for-sale securities and fair value was immaterial at March 31, 1999. At March 31, 2000, unrealized gains on available-for-sale securities were recorded, net of tax, as a component of accumulated other comprehensive income within stockholders' equity. The estimated fair

value of available-for-sale securities is based on market quotations. There were no sales of available-for-sale securities in fiscal years 1999 or 2000. At March 31, 2000, the average available-for-sale portfolio duration was approximately 15 days for debt securities, and no security had a maturity longer than one year.

Derivative Financial Instruments

Foreign Exchange--Asset and Liability Management. During the periods covered by the financial statements, the Company utilized foreign currency forward exchange contracts to manage the effects of foreign currency remeasurement arising from certain assets and liabilities denominated in a foreign currency. The gains and losses from market rate changes on these contracts, which are intended to offset the losses and gains on certain foreign currency denominated assets and liabilities, are recorded monthly in other income.

The following is a summary of foreign currency forward contracts held for asset and liability management purposes:

<TABLE>
<CAPTION>

	March 31,	
	1999	2000
	(In millions, except for forward rates)	
<S>	<C>	<C>
Currency to be sold	Yen	Yen
Maturity dates	April-May 1999	April 2000
Foreign currency notional amount	2,900 yen	650 yen
Weighted average forward rate	119.06	109.88
U.S. dollar notional amount	$ 24.4	$ 5.9
U.S. dollar equivalent	$ 24.5	$ 6.2
Fair value	$ (0.1)	$(0.3)

</TABLE>

<TABLE>
<CAPTION>

	March 31, 1999	March 31, 2000		
	(In millions, except for forward rates)			
<S>	<C>	<C>	<C>	<C>
Currency to be purchased	Swiss Franc	Swiss Franc	Yen	Irish Punt
Maturity dates	April 1999	April 1999	April 2000	April 2000
Foreign currency notional amount	22.0 Swiss Francs	42.7 Swiss Francs	400 yen	7.6 Irish Punt
Weighted average forward rate	1.49	1.65	104.7	1.23
U.S. dollar notional amount	$14.8	$25.9	$3.8	$9.3
U.S. dollar equivalent	$14.8	$25.8	$3.8	$9.3
Fair value	$ --	$ (0.1)	$ --	$ --

</TABLE>

The fair values for foreign currency forward contracts represent the difference between the contracted forward rate and the quoted fair value of the underlying Yen, Swiss Francs or Irish Punt at the balance sheet dates. The Company generally does not require collateral from the counterparties to foreign currency forward contracts.

Carrying Amount Fair Value Carrying Amount Fair Value

The estimated fair value of the Company's borrowings are summarized as follows:

<TABLE>
<CAPTION>

	March 31,			
	1999		2000	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In millions)			
<S>	<C>	<C>	<C>	<C>
Convertible subordinated debt..................	$287.5	$254.6	$287.5	$227.1
Revolving credit line...	18.0	18.0	--	--
Mortgage loan...........	40.0	40.8	38.9	39.0

</TABLE>

The fair values for the convertible subordinated debt were based on the quoted market price at the balance sheet dates. Fair value for the revolving credit agreement approximated its carrying amount, since interest rates on these borrowings are adjusted periodically to reflect market interest rates. The fair values of the mortgage loan were based on the estimated present value of the remaining payments, utilizing risk-adjusted market interest rates of similar instruments at the balance sheet dates.

Note 3 Inventories

Inventories consisted of:

<TABLE>
<CAPTION>

	March 31,	
	1999	2000
	(In thousands)	
<S>	<C>	<C>
Materials and purchased parts...........................	$ 62,342	$ 49,206
Work in process...	27,531	42,323
Finished goods..	182,113	132,296
	$271,986	$223,825

</TABLE>

Note 4 Property, Plant and Equipment

Property, plant and equipment consisted of:

<TABLE>
<CAPTION>

	March 31,	
	1999	2000
	(In thousands)	
<S>	<C>	<C>
Machinery and equipment................................	$ 365,795	$ 370,850
Furniture and fixtures.................................	33,330	36,489
Buildings and leasehold improvements...................	159,470	123,775
Land...	4,950	5,242
	563,545	536,356
Less accumulated depreciation and amortization........	(291,617)	(299,671)
	$ 271,928	$ 236,685

</TABLE>

Note 5 Business Combinations

Meridian Data, Inc.

On September 10, 1999, the Company's DLT & Storage Systems group completed the acquisition of Meridian Data, Inc. ("Meridian"). Meridian is a developer and manufacturer of network attached storage appliances for the PC local area network environment. The acquisition has been accounted for as a purchase at a total cost of $115 million. The acquisition was completed with the issuance of 4.1 million shares of DSSG common stock and 2 million shares of HDDG common stock valued at $74 million and $18 million, respectively, on the date of acquisition in exchange for all outstanding shares of Meridian; the conversion of outstanding Meridian stock options into options to purchase 630,000 shares of DSSG common stock and 315,000 shares of HDDG common stock valued at $8 million and $2 million, respectively; and the assumption of Meridian liabilities and other acquisition costs of approximately $13 million. At the date of acquisition, Meridian had $11 million of cash and marketable securities and a net operating loss carryforward for U.S. federal income tax purposes of approximately $46 million. Meridian's results of operations are included in the financial statements from the date of acquisition, and the assets and liabilities acquired were recorded based on their fair values as of the date of acquisition. Pro forma results of operations have not been presented because the effect of the acquisition was not material to the Company's financial position or results of operations.

The purchase price has been allocated based on the estimated fair market value of net tangible and intangible assets acquired and assumed liabilities as well as in-process research and development costs. As of the acquisition date, technological feasibility of the in-process technology has not been established and the technology has no alternative future use. Therefore, the Company expensed $37 million of the purchase price as in-process research and development in the second quarter of fiscal year 2000. The remaining intangible assets will be amortized on a straight-line basis over periods ranging from five to ten years.

The following is a summary of the purchase price allocation (in millions):

<TABLE>

Tangible assets acquired	$ 12
In-process research and development	37
Completed technology	29
Trademark	4
Assembled workforce	3
Goodwill	45
Deferred tax liability	(15)
	$115

</TABLE>

The amount of the purchase price allocated to in-process research and development was determined by estimating the stage of development of each in-process research and development project at the date of acquisition, estimating cash flows resulting from the expected revenue generated from such projects, and discounting the net cash flows back to their present value using a discount rate of 21%, which represents a premium to the Company's cost of capital. The expected revenue assumes an average compound annual revenue growth rate of 64% during calendar years 1999 through 2007. Expected total revenue from the purchased in-process projects peak in calendar year 2005 and then begin to decline as other new products are expected to be introduced. These projections are based on management's estimates of market size and growth, expected trends in technology and the expected timing of new product introductions.

Four in-process research and development projects were identified and valued, including three Snap! Server projects and one operating system ("O/S") project. The Snap! Server is a family of network attached storage appliances with products, which incorporate hard disk drives and an O/S designed to meet the requirements of entry and workgroup level computing environments where multiple computer users access shared data files over a local area network. Since the O/S represents a significant technology component of the Snap! Server product, the O/S technology was valued as a separate technology asset. These projects are intended to provide additional capacity and enhanced functionality to current Snap! Server products. The Snap! Server projects and the O/S project represent 61% and 39%, respectively, of the total in-process research and development value of $37 million. As of September 10, 1999, the Snap! Server projects ranged from 24% to 82% complete and the O/S technology project was 39% complete. The Snap! Server and O/S projects were completed on schedule in fiscal year 2000.

ATL Products, Inc.

On September 28, 1998, the Company completed the acquisition of ATL Products, Inc. ("ATL"). ATL designs, manufactures, markets and services automated tape libraries for the networked computer market. ATL's products incorporate DLTtape drives as well as ATL's proprietary IntelliGrip(TM) automation technology. The acquisition has been accounted for as a purchase with a total cost of $335 million. The acquisition was completed with the issuance of 16.9 million shares of Quantum common stock valued at $265 million on the date of acquisition in exchange for all outstanding shares of ATL, the conversion of outstanding ATL stock options into options valued at $22 million to purchase 1.8 million shares of Quantum common stock and the assumption of $45 million of ATL liabilities. The Company also recognized deferred tax liabilities of $33 million. ATL's results of operations are included in the financial statements from the date of acquisition, and the assets and liabilities acquired were recorded based on their fair values as of the date of acquisition.

The purchase price has been allocated based on the estimated fair market value of net tangible and intangible assets acquired and assumed liabilities as well as in-process research and development costs. As of the acquisition date, technological feasibility of the in-process technology has not been established and the technology has no alternative future use. Therefore, the Company expensed $89 million of the purchase price as in-process research and development in the third quarter of fiscal year 1999. The remaining intangible assets are being amortized on a straight-line basis over periods ranging from two to fifteen years.

The following is a summary of the purchase price allocation (in millions):

Tangible assets acquired	$ 59
In-process research and development	89
Completed technology	42
Trademarks and trade names	20
Original equipment manufacturer and value added reseller customer relationships	14
Assembled workforce	4
Non-compete agreements	2
Goodwill	138
Deferred tax liability	(33)
	$335

The amount of the purchase price allocated to in-process research and development was determined by estimating the stage of development of each in-process research and development project at the date of acquisition, estimating cash flows resulting from the expected revenue generated from such projects, and discounting the net cash flows back to their present value using a discount rate of 20%, which represents a premium to the Company's cost of capital. The expected revenue assumes an average compound annual revenue growth rate of 37% during fiscal years 1999 to 2007. Expected total revenue from the purchased in-process projects peak in fiscal year 2002 and then begin to decline as other new products are expected to be introduced.

These projections were based on management's estimates of market size and growth, expected trends in technology and the expected timing of new product introductions.

Five in-process research and development projects were identified and valued, including three tape library projects, one network project and one software project. These projects were intended to develop next-generation automated tape library and software management products. As of September 28, 1998, the tape library projects ranged from 68% to 83% complete, the network project was 54% complete and the software project was 78% complete. These projects were completed by the end of fiscal year 2000.

The following unaudited pro forma information has been prepared assuming that the acquisition had taken place at the beginning of fiscal year 1998. The pro forma financial information is not necessarily indicative of the combined results that would have occurred had the acquisition taken place at the beginning of the periods, nor is it necessarily indicative of results that may occur in the future.

	Year Ended March 31, 1998	Year Ended March 31, 1999
	(In thousands)	
Revenue	$5,866,237	$4,942,367
Net income	$ 152,345	$ 48,755
Net income per share:		
Basic	$ 1.10	$ 0.30
Diluted	$ 0.95	$ 0.28

Note 6 Special Charges

Hard Disk Drive Group

During the second quarter of fiscal year 2000, HDDG recorded a special charge of $59.4 million. The charge reflected HDDG's strategy to modify the hard disk drive business to more closely align product development and the business' operating model with the requirements of the rapidly growing low-cost PC market. The special charge was associated primarily with the streamlining of HDDG's logistics model in order to create a faster and more flexible fulfillment system, changes in the customer service strategy and consolidation of certain product development programs.

The special charge consisted of $26.4 million related to facilities costs, $13.2 million in asset write-offs related to the streamlining of the global logistics model and change in customer service strategy, $7.8 million in severance and benefits for terminated employees, and approximately $12 million in other costs associated with the plan.

The facilities costs noted above include lease payments on facilities to be vacated in and around Milpitas, California and Singapore, the write-off of related leasehold improvements, and other maintenance expenses associated with the vacated facilities. HDDG expects that the affected facilities will be vacated by the end of the second quarter of fiscal year 2001.

In connection with the charge, HDDG currently expects a workforce reduction of approximately 600 employees. In addition, approximately 100 open requisitions and budgeted positions have been eliminated. The reduction in force primarily affects employees at HDDG's drive configuration centers and warehouses in Milpitas, California and Dundalk, Ireland and employees within the desktop drive business. As of March 31, 2000, 322 of the 600 employees had been terminated. HDDG anticipates that the remaining employees will be terminated by the end of the second quarter of fiscal year 2001.

Subsequent to the end of the second quarter fiscal year 2000, HDDG revised its estimate of costs required to implement the restructuring plan. HDDG currently estimates that severance and benefits, inventory and other costs, which include the disposition of additional capital assets, will be more than previously estimated as a result of the planned changes in the customer service strategy. HDDG also estimates that costs associated with vacating leased facilities will be less than previously estimated as a result of vacating a major facility earlier than previously expected. Accordingly, HDDG has reallocated amounts between these categories.

As of March 31, 2000, HDDG had incurred $7 million in cash expenditures associated with employee severance and benefits, facilities and other costs. HDDG expects to incur additional cash expenditures associated with the plan of approximately $19 million, which it will fund from operations.

The following table summarizes activity related to the special charge at March 31, 2000:

<TABLE>

<CAPTION>

	Severance and Benefits	Facilities Costs	Inventory	Other Costs	Total
			(In thousands)		
<S>	<C>	<C>	<C>	<C>	<C>
Special charge provision.............	$ 7,833	$26,359	$ 13,214	$12,000	$ 59,406
Cash payments...........	(3,906)	(1,394)	--	(1,663)	(6,963)
Non-cash charges........	--	(5,646)	(15,588)	(8,800)	(30,034)
Adjustments.............	1,166	(7,852)	2,374	4,312	--
Balance at March 31, 2000...................	$ 5,093	$11,467	$ --	$ 5,849	$ 22,409

</TABLE>

DLT & Storage Systems Group

During the fourth quarter of fiscal year 2000, DSSG recorded a special charge of $40.1 million. The charge was primarily focused on DSSG's DLTtape Division and reflected DSSG's strategy to align its DLTtape drive operations with market conditions. These conditions include slower growth in the mid-range server market and increasing centralization of server backup through automation solutions, both of which have resulted in relatively flat DLTtape drive shipments. The special charge included a reduction of overhead expenses throughout the DLTape Division and an acceleration of DSSG's low cost manufacturing strategy, which includes moving volume production of DLTtape drives from Colorado Springs, Colorado to Penang, Malaysia.

The special charge consisted of $13.5 million in facility related costs, $13.9 million for the write-off of investments in optical technology, $7.6 million for severance and benefits for terminated employees, $3.2 million for fixed assets to be written-off, primarily related to the transfer of manufacturing to Penang, Malaysia and $1.9 million in other costs associated with the plan.

The facilities costs noted above include lease payments for vacant space in a facility in Colorado Springs, Colorado, the write off of related leasehold improvements and manufacturing equipment, as well as the write-off of certain leasehold improvements at Quantum's facility in Penang, Malaysia, as this space is converted to DSSG manufacturing. DSSG expects that the Colorado facility will be vacated by the end of fiscal year 2001.

The write-off of investments reflects DSSG's decision to end its research on certain optical based storage solutions. As a result, DSSG has written of an equity investment and technology licenses related to optical technology.

DSSG currently expects a workforce reduction of approximately 900 employees. The reduction in force primarily affects employees at DSSG's manufacturing operations in Colorado Springs, Colorado, as well as administrative employees within the DLTtape Division. As of March 31, 2000, 178 employees had been terminated. DSSG anticipates that the remaining employees will be terminated by the end of the second quarter of fiscal year 2001.

As of March 31, 2000, DSSG had incurred cash expenditures of $2 million associated with employee severance and benefits and other costs. DSSG expects to incur additional cash expenditures associated with the plan of approximately $16 million, which will be funded out of operations.

The following table summarizes activity related to the special charge at March 31, 2000:

<TABLE>
<CAPTION>

	Severance and Benefits	Facilities Costs	Investments	Fixed Assets	Other Costs	Total
			(In thousands)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Special charge provision.............	$7,646	$13,500	$ 13,908	$ 3,163	$ 1,866	$ 40,083
Cash payments...........	(956)	--	--	--	(1,102)	(2,058)
Non-cash charges........	--	--	(13,908)	(3,163)	--	(17,071)
Balance at March 31, 2000...................	$6,690	$13,500	$ --	$ --	$ 764	$ 20,954

====== ======= ======== ======= ======= ========

</TABLE>

Note 7 Loss from Investee

On May 16, 1997, the Company sold a controlling interest in its recording heads operations to MKE, thereby forming a recording heads joint venture with MKE, MKE-Quantum Components LLC ("MKQC"). The operations were involved in the research, development, and manufacture of MR recording heads used in the Company's hard disk drive products manufactured by MKE.

Quantum contributed recording heads assets and operations, and leased certain premises to MKQC. The recording heads assets that Quantum contributed to MKQC consisted of inventory, equipment, accounts receivable, and intangibles, which aggregated $211 million. MKQC assumed $51 million of debt payable to Quantum and assumed $24 million of third-party liabilities. MKE paid Quantum $94 million and contributed $110 million to MKQC in exchange for a 51% majority ownership interest in MKQC. Quantum retained a 49% minority ownership interest in MKQC. Quantum employees who were involved in the recording heads operations became employees of MKQC.

MKE and the Company shared pro rata in MKQC's results of operations and agreed to share pro rata in any capital funding requirements. Subsequent to May 16, 1997, the Company accounted for its 49% interest in MKQC using the equity method of accounting. The results of the Company's involvement in recording heads through May 15, 1997, were consolidated.

The Company provided support services to MKQC. The support services were mainly finance, human resources, legal, and computer support. MKQC reimbursed the Company for the estimated cost of the services.

Summarized Financial Information

The following is summarized financial information for MKQC:

<TABLE>
<CAPTION>

<S>	Period from May 16, 1997, to March 31, 1998 (In thousands) <C>
Revenue	$ 165,775
Gross profit (loss)	(43,677)
Loss from operations	(131,693)
Net loss	(134,816)

</TABLE>

On October 28, 1998, the Company and MKE agreed to dissolve MKQC because MKQC had not been able to produce MR recording heads on a cost-effective basis. In connection with the dissolution, MKE has taken

control and ownership of MKQC's manufacturing operations in Batam, Indonesia; MKQC's domestic operations have ceased; and its domestic assets are in liquidation. In the third quarter of fiscal year 1999, the Company recorded a $101 million loss from investee which includes a write-off of Quantum's investment in MKQC; a write-down of Quantum's interest in facilities in Louisville, Colorado, and Shrewsbury, Massachusetts that were occupied by MKQC; warranty costs resulting from MR recording heads manufactured by MKQC; and Quantum's 49% pro rata share in funding MKQC's repayment of its obligations, bank debt, accounts payable, and other liabilities through June 1999 when the liquidation of MKQC was expected to be completed.

MKQC's unaudited net loss for the six months ended September 27, 1998 was $84 million on revenue of $62 million. The Company's 49% interest in this net loss was $41 million.

Note 8 Credit Agreements, Long-Term Debt and Convertible Subordinated Debt

Quantum's debt includes the following:

<TABLE>
<CAPTION>

	March 31,	
	1999	2000
	(In thousands)	

7% convertible subordinated notes.......................	$287,500	$287,500
Revolving credit line, 6.0% average rate, payable through June 2000...	18,000	--
Mortgage..	39,985	38,871
	345,485	326,371
Less short-term portion of debt.........................	1,024	1,033
Total long-term debt and convertible subordinated debt...	$344,461	$325,338

In June 1997, the Company entered into an unsecured senior credit facility that provides a $500 million revolving credit line and expires in June 2000. At the option of the Company, borrowings under the revolving credit line bear interest at either the London interbank offered rate plus a margin determined by a total funded debt ratio, or at a base rate, with option periods of one to six months. At March 31, 1999 and March 31, 2000, there was no outstanding balance drawn on this line.

In December 1998, ATL entered into a senior credit facility that provides a $35 million revolving credit line to ATL. The revolving credit line is co-terminous with the Company's $500 million revolving credit line, expiring in June 2000. As amended, at the option of ATL, borrowings under the revolving credit line bear interest at either the London interbank offered rate plus a margin determined by the Company's total funded debt ratio, or at a base rate, with option periods of two weeks to six months. At March 31, 1999, $18 million was outstanding and at March 31, 2000, there was no outstanding balance drawn on this line.

In July 1997, the Company issued $288 million of 7% convertible subordinated notes. The notes mature on August 1, 2004, and are convertible at the option of the holder at any time prior to maturity, unless previously redeemed, into shares of HDDG common stock and DSSG common stock. The notes are convertible into 6,206,152 shares of DSSG common stock, or 21.587 shares per $1,000 note, and 3,103,076 shares of HDDG common stock, or 10.793 shares per $1,000 note. The Company has the option to redeem the notes on or after August 1, 1999 and prior to August 1, 2001, under certain conditions related to the price of the Company's common stocks. Subsequent to August 1, 2001, the Company may redeem the notes at any time. In the event of certain changes involving all or substantially all of the Company's common stocks, the holder would have the option to redeem the notes. Redemption prices range from 107% of the principal to 100% at maturity. The notes are unsecured obligations subordinated in right of payment to all of the Company's existing and future senior indebtedness.

In September 1996, the Company entered into a $42 million mortgage financing related to certain domestic facilities at an effective interest rate of approximately 10.1%. The term of the mortgage is 10 years. The Company is required to make monthly payments based on a 20-year amortization period, and a balloon payment at the end of the 10-year term. The debt is secured by specified real estate.

Principal payments required on long-term debt outstanding at March 31, 2000, are $1.1 million in fiscal year 2001, $1.2 million in fiscal year 2002, $1.3 million in fiscal year 2003, $1.5 million in fiscal year 2004 and $1.6 million in fiscal year 2005.

Subsequent to March 31, 2000, the Company entered into new credit facility agreements as described in Note 18 of the Notes to Consolidated Financial Statements.

Note 9 Stock Incentive Plans

As a result of the recapitalization, each outstanding stock option under the Company's stock option plans was converted into separately exercisable options to acquire one share of DLT & Storage Systems group stock and one-half of a share of Hard Disk Drive group stock. The exercise price for the resulting DSSG stock options and HDDG stock options was calculated by multiplying the exercise price under the original options by a fraction, the numerator of which was the opening price of DSSG stock or HDDG stock on August 4, 1999 (the date such stocks were first traded on the New York Stock Exchange) and the denominator of which was the sum of these DSSG and HDDG stock prices. However, the aggregate intrinsic value of the options was not increased, and the ratio of the exercise price per option to the market value per share was not reduced. In addition, the vesting provisions and option periods of the original grants remained the same upon conversion.

Long-Term Incentive Plan. The Company has a Long-Term Incentive Plan (the "Plan") that provides for the issuance of stock options, stock appreciation rights, stock purchase rights, and long-term performance awards (collectively referred to as "options") to employees, consultants, officers and affiliates of the Company. The Plan has available and reserved for future issuance 23.6 million shares and 11.3 million shares of DSSG stock and HDDG stock, respectively, and allows for an annual increase in the number of shares available for issuance, subject to a limitation. Available for grant as of March 31, 2000, were 4.1 million shares of DSSG group stock and 1.1 million shares of HDDG stock. Options under the Plan expire no later than ten years from the grant date and generally vest over four years. Restricted stock granted under the Plan generally vests over two to three years. In fiscal years 1998, 1999 and 2000, the Company recorded compensation expense of $3,179,000, $3,211,000 and $3,082,000, respectively, related to restricted stock granted pursuant to stock purchase rights under the Plan. In fiscal years 1998, 1999 and 2000, the Company granted 65,500 shares, 157,200 shares, and 99,800 shares, respectively, of Quantum Corporation restricted stock under the Plan at an exercise price of $.01 per share. Additionally, 321,600 shares of DSSG restricted stock and 155,800 shares of HDDG restricted stock were granted during fiscal year 2000 at an exercise price of $.01 per share.

Supplemental Plan. The Company has a Supplemental Stock Plan (the "SSP") that provides for the issuance of stock options and stock purchase rights (collectively referred to as "options") to employees and consultants of the Company. The SSP has available and reserved for future issuance 9.7 million shares and 5.7 million shares of DSSG stock and HDDG stock, respectively. Options under the SSP generally vest over two to four years and expire ten years after the grant date. At March 31, 2000, options with respect to 1.8 million shares of DSSG stock and 853,000 shares of HDDG stock were available for grant. Restricted stock granted under the SSP generally vests over two to three years. In fiscal year 2000, Quantum recorded compensation expense of $4,532,000 related to restricted stock granted pursuant to stock purchase rights under the SSP. In fiscal year 2000, 3.0 million shares of DSSG restricted stock and 1.5 million of HDDG restricted stock were granted under the SSP at an exercise price of $.01 per share.

Stock Option Plans. The Company has Stock Option Plans (the "Plans") under which 4.3 million shares and 2.0 million shares of DSSG stock and HDDG stock, respectively, were reserved for future issuance at March 31, 2000 to employees, officers and directors of the Company. Options under the Plans are granted at prices determined by the Board of Directors, but at not less than the fair market value, and accordingly no compensation accounting has been required at the original date of grant. Options currently expire no later than ten years from the grant date and generally vest ratably over one to four years. At March 31, 2000, options with respect to 377,500 shares and 189,000 shares of DSSG stock and HDDG stock, respectively, were available for grant.

Stock Option Summary Information. A summary of activity relating to the Long-Term Incentive Plan, the Supplemental Plan and the Stock Option Plans follows:

<TABLE>
<CAPTION>

	Year Ended March 31,			
	1998		1999	
	Shares (000s)	Weighted-Avg. Exercise Price	Shares (000s)	Weighted-Avg. Exercise Price
<S>	<C>	<C>	<C>	<C>
Outstanding at beginning of period.......................	16,354	$ 7.52	17,005	$12.09
Granted......................	6,163	$19.80	10,781	$21.51
Canceled.....................	(718)	$14.11	(1,880)	$22.63
Exercised....................	(4,794)	$ 6.10	(2,530)	$ 7.23
Outstanding at end of period..	17,005	$12.09	23,376	$14.68
Exercisable at end of period......................	8,332	$ 8.84	11,786	$10.65

</TABLE>

<TABLE>

<CAPTION>

	Year Ended March 31, 2000					
	Period from April 1, 1999, to August 3, 1999		Period from August 4, 1999, to March 31, 2000			
	Quantum Corporation		DLT & Storage Systems Group		Hard Disk Drive Group	
	Shares (000s)	Weighted-Avg. Exercise Price	Shares (000s)	Weighted-Avg. Exercise Price	Shares (000s)	Weighted-Avg. Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Outstanding at beginning of period.............	23,376	$14.68	26,412	$13.18	13,206	$4.80
Granted................	4,719	$18.91	11,037	$ 6.45	7,430	$6.19
Canceled...............	(585)	$18.56	(3,404)	$15.17	(1,789)	$6.39
Exercised..............	(1,098)	$ 8.87	(2,605)	$ 6.27	(1,961)	$3.06
Outstanding at end of period................	26,412	$15.58	31,440	$11.14	16,886	$5.37
Exercisable at end of period................	13,037	$11.95	13,686	$11.03	6,407	$4.23

</TABLE>

The exercise prices for options outstanding at March 31, 2000 range from $0.01 to $26.07 and from $0.01 to $11.06 for DSSG stock and HDDG stock, respectively. Compensation expense of $1,057,000, $2,188,000, and $282,000 was recorded in fiscal years 1998, 1999 and 2000, respectively, in connection with accelerated vesting of stock options under the Plans.

The following tables summarize information about options outstanding and exercisable at March 31, 2000:

DLT & Storage Systems Group

<TABLE>
<CAPTION>

	Outstanding Options		
Range of Exercise Prices	Shares Outstanding at March 31, 2000 (000s)	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price
<S>	<C>	<C>	<C>
$ 0.01-$ 6.61..........	8,349	4.04	$ 3.17
$ 6.64-$13.88..........	9,303	8.73	$ 9.20
$14.19-$26.07..........	13,788	8.28	$17.28
	31,440	7.29	$11.14

</TABLE>

<TABLE>
<CAPTION>

	Options Exercisable	
Range of Exercise Prices	Shares Outstanding at March 31, 2000 (000s)	Weighted-Average Exercise Price
<S>	<C>	<C>
$ 0.01-$ 6.61.....................	4,974	$ 5.03
$ 6.64-$13.88.....................	2,870	$ 9.01
$14.19-$26.07.....................	5,842	$17.12
	13,686	$11.03

</TABLE>

Hard Disk Drive Group

<TABLE>
<CAPTION>

Outstanding Options

Range of Exercise Prices	Shares Outstanding at March 31, 2000 (000s)	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price
<S>	<C>	<C>	<C>
$0.01-$ 3.21..........	4,469	4.18	$1.33
$3.22-$ 5.85..........	2,524	6.98	$4.96
$5.86-$11.06..........	9,893	8.14	$7.30
	16,886	6.92	$5.37

</TABLE>

<TABLE>
<CAPTION>

	Options Exercisable	
Range of Exercise Prices	Shares Outstanding at March 31, 2000 (000s)	Weighted-Average Exercise Price
<S>	<C>	<C>
$0.01-$ 3.21.....................	2,752	$2.02
$3.22-$ 5.85.....................	1,769	$4.82
$5.86-$11.06.....................	1,885	$6.90
	6,407	$4.23

</TABLE>

Expiration dates ranged from April 27, 2000 to February 11, 2011 for options outstanding at March 31, 2000. Prices for options exercised during the three-year period ended March 31, 2000, are as follows:

<TABLE>
<CAPTION>

	Period	Price range
<S>	<C>	<C>
Quantum Corporation..........................	4/1/97-8/3/99	$0.01-$23.94
DLT & Storage Systems Group..................	8/4/99-3/31/00	$0.01-$19.83
Hard Disk Drive Group........................	8/4/99-3/31/00	$0.01-$ 8.00

</TABLE>

Proceeds received by the Company from exercises are credited to common stock and capital in excess of par value.

Completing the acquisition of Meridian in September 1999 included the conversion of outstanding Meridian stock options into options to purchase 630,000 shares of DSSG common stock and 315,000 shares of HDDG common stock. These options relate to the Company's assumption of Meridian's 1985 Director Incentive Stock Plan, 1988 Incentive Stock Plan, 1995 Director Stock Plan and the 1997 Stock Plan, collectively referred to as the "Meridian Plans." Under the terms of the Meridian Plans, employees, directors and consultants received options to purchase shares of Meridian's previously outstanding common stock at prices not less than 100% of the fair value on the date of grant as determined by Meridian's Board of Directors. Options under Meridian Plans vest over a four year period and expire ten years after date of grant or from 30 days to three months after termination of employment. Subsequent to completing the acquisition of Meridian, no additional grants may be made from the Meridian Plans. See Note 5 for more information on the acquisition of Meridian.

Completing the acquisition of ATL in September 1998 included the conversion of outstanding ATL stock options into options to purchase 1.8 million shares of Quantum common stock, which were converted, as a result of the recapitalization, into 1.8 million shares and 0.9 million shares of DSSG common stock and HDDG common stock, respectively. These options relate to the Company's assumption of ATL's 1996 Stock Incentive Plan and 1997 Stock Incentive Plan, collectively referred to as the "ATL Plans." Under the terms of the ATL Plans, eligible key employees, directors and consultants received options to purchase shares of ATL's previously outstanding common stock at prices not less than 100% for incentive stock options and not less than 85% for nonqualified stock options of the fair value on the date of grant as determined by ATL's Board of Directors. Options under ATL Plans vest over a three year period and expire ten years after date of grant or 90 days after termination of employment. Subsequent to completing the acquisition of ATL, no additional grants may be made from the ATL Plans. See Note 5 for more information on the acquisition of ATL.

Stock Purchase Plan. The Company has an employee stock purchase plan (the "Purchase Plan") that allows for the purchase of stock at 85% of fair market value at the date of grant or the exercise date, whichever value is less. The Purchase Plan is qualified under Section 423 of the Internal Revenue Code. Of the 24.8 million DSSG shares and 12.4 million HDDG shares authorized to be issued under the plan, 1,394,000 shares and 698,000 shares, respectively, were available for issuance at March 31, 2000. Employees purchased 3,454,000 shares, 2,555,000 shares, and 829,000 shares of Quantum Corporation common stock under the Purchase Plan in fiscal years 1998, 1999, and 2000, respectively.

Additionally, employees purchased 1,145,000 shares of DSSG stock and 571,000 shares of HDDG stock during fiscal year 2000. The weighted average exercise price of Quantum Corporation stock purchased under the Purchase Plan was $6.22, $9.41, and $16.16 in fiscal years 1998, 1999, and 2000, respectively. The weighted average exercise prices of DSSG stock and HDDG stock purchased under the Purchase Plan were $8.08 and $5.03, respectively, in fiscal year 2000.

Pro forma information. The Company adopted SFAS No. 123, "Accounting for Stock-Based Compensation" in fiscal year 1997. The Company has elected to continue to account for its stock-based compensation plans under APB Opinion No. 25 and disclose the pro forma effects of the plans on net income and earnings per share as provided by SFAS No. 123. Accordingly, no compensation expense has been recognized for the stock option plans and the employee stock purchase plans as all options have been issued at fair market value.

Pro forma net income and earnings per share information, as required by SFAS No. 123, have been determined as if the Company had accounted for its employee stock options (including shares issued under the Long-Term Incentive Plan, Supplemental Plan, Stock Option Plans, and the Stock Purchase Plan, collectively called "options") granted subsequent to March 31, 1995, under the fair value method of that statement.

The fair value of options granted in fiscal years 1998, 1999 and 2000 reported below have been estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions:

Quantum Corporation

<TABLE>
<CAPTION>

	Long-Term Incentive Plan, Supplemental Plan and Stock Option Plans			Stock Purchase Plan		
	Fiscal 1998	Fiscal 1999	Fiscal 2000	Fiscal 1998	Fiscal 1999	Fiscal 2000
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Option life (in years)..	2.9	3.1	2.8	1.6	1.4	1.1
Risk-free interest rate..................	6.25%	5.52%	5.19%	6.13%	5.85%	5.57%
Stock price volatility..	.56	.61	.65	.53	.56	.62
Dividend yield..........	--	--	--	--	--	--

</TABLE>

DLT & Storage Systems Group

<TABLE>
<CAPTION>

	Long-Term Incentive Plan, Supplemental Plan and Stock Option Plans			Stock Purchase Plan		
	Fiscal 1998	Fiscal 1999	Fiscal 2000	Fiscal 1998	Fiscal 1999	Fiscal 2000
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Option life (in years)..	--	--	2.02	--	--	0.8
Risk-free interest rate..................	--	--	6.43%	--	--	6.12%
Stock price volatility..	--	--	.67	--	--	.66
Dividend yield..........	--	--	--	--	--	--

</TABLE>

Hard Disk Drive Group

<TABLE>
<CAPTION>

	Long-Term Incentive Plan, Supplemental Plan and Stock Option Plans			Stock Purchase Plan		
	Fiscal 1998	Fiscal 1999	Fiscal 2000	Fiscal 1998	Fiscal 1999	Fiscal 2000
Option life (in years)..	--	--	3.5	--	--	1.51
Risk-free interest rate...................	--	--	6.27%	--	--	5.57%
Stock price volatility..	--	--	.68	--	--	.63
Dividend yield..........	--	--	--	--	--	--

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in the opinion of management, the existing models do not necessarily provide a reliable single measure of the fair value of the options.

The following is a summary of weighted-average grant date fair values:

Quantum Corporation

	Weighted-Average Grant Date Fair Value		
	Fiscal 1998	Fiscal 1999	Fiscal 2000
Options granted under the Long-Term Incentive Plan, Supplemental Plan and Stock Option Plans............	$ 8.39	$ 9.86	$ 8.55
Restricted stock granted under the Long-Term Incentive Plan and Supplemental Plan	$23.68	$22.40	$18.99
Shares granted under the Stock Purchase Plan.........	$ 3.56	$ 4.86	$ 7.85

DLT & Storage Systems Group

	Weighted-Average Grant Date Fair Value
	Fiscal 2000
Options granted under the Long-Term Incentive Plan, Supplemental Plan and Stock Option Plans....................................	$ 4.03
Restricted stock granted under the Long-Term Incentive Plan and Supplemental Plan...	$ 8.86
Shares granted under the Stock Purchase Plan..............	$ 4.62

Hard Disk Drive Group

	Weighted-Average Grant Date Fair Value
	Fiscal 2000
Options granted under the Long-Term Incentive Plan, Supplemental Plan	

and Stock Option Plans	$ 4.16
Restricted stock granted under the Long-Term Incentive Plan and Supplemental Plan	$ 7.98
Shares granted under the Stock Purchase Plan	$ 2.73

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the option's vesting period. The Company's pro forma net income (loss) and net income (loss) per share follows:

Quantum Corporation

	Year Ended March 31, 1998	1999	Period from April 1, 1999, to August 3, 1999
Net income (loss) (in thousands)	$139,907	$(83,964)	$(32,227)
Net income (loss) per share:			
Basic	$ 1.03	$ (0.52)	$ (0.19)
Diluted	$ 0.88	$ (0.52)	$ (0.19)

DLT & Storage Systems Group

	Period from August 4, 1999, to March 31, 2000
Net income (in thousands)	$54,265
Net income per share:	
Basic	$ 0.33
Diluted	$ 0.33

Hard Disk Drive Group

	Period from August 4, 1999, to March 31, 2000
Net loss (in thousands)	$(35,678)
Net loss per share:	
Basic	$ (0.43)
Diluted	$ (0.43)

Since the DSSG stock and HDDG stock were not part of the capital structure of Quantum prior to the recapitalization on August 3, 1999 and no DSSG stock options and HDDG stock options were outstanding prior to this date, pro forma information for DSSG and HDDG for fiscal years 1999 and 1998 is omitted. Accordingly, the pro forma effect of DSSG stock options and HDDG stock options is not representative of what the effect will be in future years.

As SFAS No. 123 is applicable only to options granted subsequent to March 31, 1995, its pro forma effect will not be fully reflected until fiscal year 2001.

Note 10 Common Stock and Stockholder Rights Agreement

The number of authorized shares of common stock is 1,600,000,000, of which 1,000,000,000 shares are authorized for DSSG common stock and 600,000,000 shares are authorized for HDDG common stock. The number of authorized shares of preferred stock is 20,000,000.

The Company has a stockholder rights agreement (the "Rights Plan") that provides existing stockholders with the right to purchase preferred stock in the event of certain changes in Quantum's ownership. Specifically, existing DSSG stockholders will have the right to purchase one one-thousandth of a share of Series B Junior Participating Preferred Stock for each share of DSSG common stock held, or, under certain circumstances, shares of DSSG common stock with a market value twice the exercise price of such right and existing HDDG stockholders will have the right to purchase one one-thousandth of a share of Series C Junior Participating Preferred Stock for each share of HDDG common stock held or, under certain circumstances, shares of HDDG common stock with a market value twice the exercise price of such right. The purchase price in either case is determined by the board of directors, subject to adjustment. Subject to certain exceptions, these rights may be exercised the tenth day after any person or group becomes the beneficial owner (or makes an offer that would result in such beneficial ownership) of 20% or more of the outstanding DSSG common stock or HDDG common stock. If such change in beneficial ownership is combined with a merger of the Company or a sale of more than 50% of the assets of the Company, then the existing stockholders have the right to purchase, for the exercise price, a number of shares of common stock in the surviving entity having a market value of twice the exercise

price of such right. The Rights Plan may serve as a deterrent to takeover tactics that are not in the best interests of stockholders. There are 1,600,000 preferred shares reserved for issuance under the Rights Plan.

Note 11 Earnings Per Share

Net income (loss) per share was calculated on a consolidated basis until DSSG stock and HDDG stock were created as a result of the recapitalization on August 3, 1999. Subsequent to this date, net income (loss) per share was computed individually for DSSG and HDDG.

The following table sets forth the computation of basic and diluted net income (loss) per share:

<TABLE>
<CAPTION>

	Year Ended March 31,				
	1998	1999	2000		
			Period from April 1, 1999, to August 3, 1999	Period from August 4, 1999, to March 31, 2000	Period from August 4, 1999, to March 31, 2000
	Quantum Corporation	Quantum Corporation	Quantum Corporation	DLT & Storage Systems Group	Hard Disk Drive Group
	(In thousands, except per share data)				
<S>	<C>	<C>	<C>	<C>	<C>
Numerator:					
Numerator for basic net income (loss) per share--income (loss) available to common stockholders...........	$170,801	$(29,535)	$(17,193)	$ 85,586	$(27,549)
Effect of dilutive securities:					
5% convertible subordinated debentures............	6,668	--	--	--	--
Numerator for diluted net income (loss) per share--income (loss) available to common stockholders...........	$177,469	$(29,535)	$(17,193)	$ 85,586	$(27,549)
Denominator:					
Denominator for basic net income (loss) per share--weighted average shares.................	136,407	160,670	165,788	162,023	83,018

Effect of dilutive securities:					
Outstanding options.....	9,600	--	--	5,711	--
Series B preferred stock..................	90	--	--	--	--
5% convertible subordinated debentures............	19,919	--	--	--	--
Denominator for diluted net income (loss) per share--adjusted weighted Average shares and assumed conversions..	166,016	160,670	165,788	167,734	83,018
Basic net income (loss) per share.............	$ 1.25	$ (0.18)	$ (0.10)	$ 0.53	$ (0.33)
Diluted net income (loss) per share.......	$ 1.07	$ (0.18)	$ (0.10)	$ 0.51	$ (0.33)

</TABLE>

The computation of diluted net loss per share for Quantum in the year ended March 31, 1999, and in the period April 1, 1999, through August 3, 1999, excluded the effect of the 7% convertible subordinated notes issued in July 1997, which were convertible into 6,206,152 shares of Quantum common stock, or 21.587 shares per $1,000 note, because the effect would have been antidilutive.

The computation of diluted net income per share for DSSG in the period August 4, 1999 through March 31, 2000, excluded the effect of the 7% convertible subordinated notes issued in July 1997, which are convertible into 6,206,152 shares of DSSG common stock, or 21.587 shares per $1,000 note, because the effect would have been antidilutive.

The computation of diluted net loss per share for HDDG in the period August 4, 1999 through March 31, 2000, excluded the effect of the 7% convertible subordinated notes issued in July 1997, which are convertible into 3,103,076 shares of HDDG common stock, or 10.793 shares per $1,000 note, because the effect would have been antidilutive.

Options to purchase 23,376,499 and 26,411,958 shares of Quantum common stock were outstanding at March 31,1999, and August 3, 1999, respectively. However, the corresponding weighted average outstanding options were not included in the computation of diluted net loss per share for Quantum for the year ended March 31, 1999, and the period April 1, 1999 through August 3, 1999, because the effect would have been antidilutive.

Options to purchase 16,885,729 shares of HDDG common stock were outstanding at March 31, 2000. However, the corresponding weighted average outstanding options were not included in the computation of diluted net loss per share for HDDG for the period August 4, 1999 through March 31, 2000, because the effect would have been antidilutive.

Note 12 Savings and Investment Plan

Substantially all of the regular domestic employees are eligible to make contributions to the Company's 401(k) savings and investment plan. The Company matches a percentage of the employees' contributions and may also make additional discretionary contributions to the plan. Company contributions were $6 million, $7 million and $9 million, in fiscal years 1998, 1999 and 2000, respectively.

Note 13 Income Taxes

The Company's income tax provision consists of the following:

<TABLE>
<CAPTION>

	Year Ended March 31,		
	1998	1999	2000
	(In thousands)		
<S>	<C>	<C>	<C>
Federal:			

Current	$ 19,343	$(15,431)	$ 46,773
Deferred	12,396	26,392	(33,109)
	31,739	10,961	13,664
State:			
Current	19,814	3,856	10,303
Deferred	(17,803)	22	(5,717)
	2,011	3,878	4,586
Foreign:			
Current	26,857	18,021	37,391
Deferred	(593)	(3,510)	(7,315)
	26,264	14,511	30,076
Income tax provision	$ 60,014	$ 29,350	$ 48,326

</TABLE>

The tax benefits associated with nonqualified stock options, disqualifying dispositions of incentive stock options, and employee stock purchase plan shares reduced taxes currently payable as shown above by $21 million, $17 million, and $15 million in fiscal years 1998, 1999, and 2000, respectively. Such benefits are credited to capital in excess of par value when realized.

The Company's income tax provision differs from the amount computed by applying the federal statutory rate of 35% to income before income taxes as follows:

<TABLE>
<CAPTION>

	Year Ended March 31,		
	1998	1999	2000
	(In thousands)		
<S>	<C>	<C>	<C>
Tax (benefit) at federal statutory rate	$ 80,788	$ (65)	$31,207
State income tax, net of federal benefit	1,307	2,521	2,981
Research and development credit	(7,680)	(2,265)	(5,407)
Foreign earnings taxed at rates different than U.S. rates	(15,813)	(5,004)	--
Acquired in-process research and development	--	31,150	12,950
Goodwill amortization	--	1,609	4,075
Other items	1,412	1,404	2,520
	$ 60,014	$29,350	$48,326

</TABLE>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of deferred tax assets and liabilities are as follows:

<TABLE>
<CAPTION>

	Year Ended March 31,	
	1999	2000
	(In thousands)	
<S>	<C>	<C>
Deferred tax assets:		
Inventory valuation methods	$ 39,770	$ 33,327
Accrued warranty expense	24,041	30,444
Allowance for doubtful accounts	3,379	5,443
Distribution reserves	10,363	18,115
Restructuring and special charges	4,331	23,262
Net operating loss and credit carryforwards	--	37,228
Other accruals and reserves not currently deductible for tax purposes	39,627	27,383

Depreciation methods	47,429	68,024
Amortization methods	31,448	29,213
	200,388	272,439
Deferred tax liabilities:		
Foreign inventory valuation methods	(13,810)	(6,495)
Tax on unremitted foreign earnings net of foreign tax credits and foreign deferred taxes	(97,817)	(130,671)
Acquired intangibles	(33,602)	(40,821)
Other	(14,798)	(16,406)
	(160,027)	(194,393)
Net deferred tax asset	$ 40,361	$ 78,046

</TABLE>

The Company's pretax income from foreign operations was $139 million, $120 million, and $220 million for the fiscal years ended March 31, 1998, 1999, and 2000, respectively. U.S. taxes have not been provided for unremitted foreign earnings of $357 million. The residual U.S. tax liability, if such amounts were remitted, would be approximately $78 million.

As of March 31, 2000, the Company has net operating loss carryforwards of $49 million and credit carryforwards of $20 million. These carryforwards expire in varying amounts between fiscal years 2005 and 2019.

The Company's federal income tax returns have been examined by the Internal Revenue Service ("IRS") for all years through 1993. All issues have been resolved with no material effect, and the IRS has closed those years. The Company's federal tax returns for the years 1994-1996 are presently under examination by the IRS. Management believes sufficient accruals have been provided in prior years for any adjustments that may result for the years under examination.

Note 14 Litigation

On August 7, 1998, the Company was named as one of several defendants in a patent infringement lawsuit filed in the U.S. District Court for the Northern District of Illinois, Eastern Division. The plaintiff, Papst Licensing GmbH, owns at least 24 U.S. patents which it asserts that the Company has infringed. The Company has studied these patents and believes that defenses of patent invalidity and non-infringement can be asserted. However, the Company has not completed a full study of all the patents asserted by Papst and there can be no assurance that the Company has not infringed these or other patents owned by Papst. Recently, on Papst's motion, the case was transferred to a federal district court in New Orleans, Louisiana, where it has been joined with suits brought against Papst by Hewlett-Packard Company and Minebea Company, Ltd. for the purposes of coordinated discovery under multi-district litigation rules. Hewlett-Packard recently settled its dispute with Papst and has been withdrawn from the litigation. To date, discovery has not begun to any significant extent. Quantum does not believe that the transfer will affect the final disposition of this matter in a significant way. The final results of this litigation, as with any litigation, are uncertain. In addition, the costs of engaging in litigation with Papst will be substantial.

The Company is also subject to other legal proceedings and claims that arise in the ordinary course of its business. For example, Discovision Associates has brought patents they hold to the Company's attention. While management currently believes the amount of ultimate liability, if any, with respect to these actions will not materially affect the financial position, results of operations, or liquidity of the Company, the ultimate outcome of any litigation is uncertain. Were an unfavorable outcome to occur, the impact could be material to the Company.

Note 15 Commitments

The Company leases certain facilities under non-cancelable operating lease agreements for periods of up to 15 years. Some of the leases have renewal options ranging from one to ten years and contain provisions for maintenance, taxes, or insurance.

Rent expense was $27 million, $32 million, and $33 million for the fiscal years ended March 31, 1998, 1999, and 2000, respectively.

Future minimum lease payments under operating leases are as follows:

	(In thousands)
Year ended March 31,	
2001	$ 33,767
2002	33,371
2003	28,845
2004	22,229
2005	17,878
Thereafter	125,748
Total future minimum lease payments	$261,838

The Company is contingently liable, under residual value guarantees, for approximately $63 million for one of its current facility leases.

Note 16 Business Segment and Geographic Information

Quantum Corporation's reportable segments are its two business groups, the Hard Disk Drive group and the DLT & Storage Systems group, as further described in their separate financial statements. HDDG consists of desktop and high-end hard disk drives. DSSG consists of DLTtape drives and media, autoloaders and libraries, network attached storage appliances and solid state storage systems. The Company directly markets its products to computer manufacturers and through a broad range of distributors, resellers and systems integrators.

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. The Company evaluates segment performance based on net profit or loss excluding non-recurring gains or losses. Segment assets include those items that can be specifically identified with or reasonably allocated to a particular segment.

	Year Ended March 31,								
	1998			1999			2000		
	HDDG	DSSG	Total	HDDG	DSSG	Total	HDDG	DSSG	Total
	(in millions)								
Revenue from external customers	$4,615	$1,190	$5,805	$3,599	$1,303	$4,902	$3,308	$1,419	$4,727
Intersegment revenue	--	--	--	--	--	--	3	--	3
Interest and other income/ (expense)	4	(3)	1	10	(12)	(2)	13	--	13
Depreciation and amortization	68	24	92	71	42	113	69	62	131
Loss from investee	(66)	--	(66)	(142)	--	(142)	--	--	--
Income tax expense (benefit)	(83)	143	60	(112)	141	29	(73)	122	48
Segment profit (loss)	(53)	224	171	(153)	123	(30)	(105)	146	41
Segment assets	1,646	792	2,438	1,470	1,014	2,484	1,478	1,086	2,564
Expenditures for long-lived assets	129	47	176	83	33	116	50	35	85

	Year Ended March 31,	
	1999	2000
	(in millions)	
Segment assets reconciliation:		
Total assets for reportable segments	$2,484	$2,564
Elimination of intersegment receivables	--	(30)
Total consolidated segment assets	$2,484	$2,534

QUANTUM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Product Information

Revenue for reportable segments is comprised of the following:

	Year Ended March 31, 1998	1999	2000
	(In millions)		
Hard Disk Drive group:			
Desktop hard disk drives	$3,981	$3,079	$2,785
High-end hard disk drives	634	520	527
Total	$4,615	$3,599	$3,312
DLTtape & Storage Systems group:			
DLTtape drives	$ 784	$ 872	$ 858
DLTtape media	284	195	147
DLTtape royalties	27	122	187
Storage systems	95	154	323
Intra-group elimination	--	(40)	(96)
Total	$1,190	$1,303	$1,419

Intra-group elimination represents intra-group sales of DLTtape drives incorporated into the DLT & Storage Systems group's tape libraries.

Geographic Information

Revenue and long-lived assets by region are as follows (revenue is attributed to regions based on the location of customers):

	1998 Revenue	1998 Long-Lived Assets	1999 Revenue	1999 Long-Lived Assets	2000 Revenue	2000 Long-Lived Assets
	(In millions)					
United States	$3,048	$271	$2,552	$457	$2,381	$454
Europe	1,689	13	1,315	12	1,173	11
Asia Pacific	993	25	930	28	1,100	21
Latin America	75	--	105	--	73	--
Total	$5,805	$309	$4,902	$497	$4,727	$486

Two customers of both reportable segments accounted for 10% or more of the Company's consolidated revenue in fiscal years 1998, 1999 and 2000. Revenue from one customer represented $1,036 million, $704 million and $599 million of the Company's consolidated revenue in the respective periods. Revenue from the other customer represented $759 million, $678 million and $565 million of the Company's consolidated revenue in the respective periods.

Note 17 Unaudited Quarterly Consolidated Financial Data

Year Ended March 31, 2000

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(In thousands, except per share data)			
<S>	<C>	<C>	<C>	<C>
Revenue......................	$1,083,235	$1,125,124	$1,253,555	$1,265,290
Gross profit.................	179,919	135,337	268,423	295,281
Net income (loss)............	8,281	(62,653)	55,896	39,320
Net income (loss) per share:				
Quantum common stock				
Basic......................	0.05	(0.15)	NA	NA
Diluted....................	0.05	(0.15)	NA	NA
DLT & Storage Systems group common stock				
Basic......................	NA	0.08	0.31	0.14
Diluted....................	NA	0.07	0.30	0.14
Hard Disk Drive group common stock				
Basic......................	NA	(0.60)	0.06	0.20
Diluted....................	NA	(0.60)	0.06	0.20

</TABLE>

<TABLE>
<CAPTION>

	Year Ended March 31, 1999			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(In thousands, except per share data)			
<S>	<C>	<C>	<C>	<C>
Revenue.......................	$1,103,023	$1,164,711	$1,325,581	$1,308,741
Gross profit..................	166,373	191,889	239,089	273,987
Net income (loss).............	3,010	17,264	(106,551)	56,742
Net income (loss) per share:				
Basic.......................	0.02	0.11	(0.64)	.34
Diluted.....................	0.02	0.11	(0.64)	.33

</TABLE>

- --------

NA = Not applicable

Net income (loss) per share for the second quarter of fiscal year 2000 reflected the net loss per share for Quantum through the date of the August 3, 1999 recapitalization. Net income (loss) per share for the DLT & Storage Systems group and the Hard Disk Drive group reflected net income (loss) per share from August 4, 1999 through the end of fiscal year 2000.

The results of operations for the fourth quarter of fiscal year 2000 included the effect of a $40 million special charge associated with the DLT & Storage Systems group's strategy to reduce overhead expenses and product cost including the transfer of volume manufacturing to Penang, Malaysia.

The results of operations for the second quarter of fiscal year 2000 included the effect of a $59 million special charge associated with the Hard Disk Drive group's streamlining of the logistics model, change in customer service strategy and consolidation of certain product development programs, and a $37 million charge related to purchased in-process research and development related to the acquisition of Meridian.

The results of operations for the third quarter of fiscal year 1999 included the effect of a $101 million charge related to the dissolution of MKQC, and an $89 million charge related to purchased in-process research and development related to the acquisition of ATL.

Note 18 Subsequent Event (Unaudited)

In April 2000, both the Company and ATL canceled their existing senior credit facilities and the Company entered into two new unsecured senior credit facilities, each providing a $187.5 million revolving credit line and expiring in April 2001 and April 2003, respectively. At the option of the Company, borrowings under the revolving credit lines will bear interest at either the London interbank offered rate or a base rate, plus a margin determined by a leverage ratio with option periods of one to six months.

QUANTUM CORPORATION

SCHEDULE II

CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS

<TABLE>
<CAPTION>

Classification	Balance at beginning of period	Additions (reductions) charged to expense	Deductions(i)	Balance at end of period
	(In thousands)			
<S>	<C>	<C>	<C>	<C>
Allowance for doubtful accounts year ended:				
March 31, 1998.............	$10,610	$ 5,142	$ (2,824)	$12,928
March 31, 1999.............	$12,928	$ 9,481	$(10,279)	$12,130
March 31, 2000.............	$12,130	$15,307	$ (4,327)	$23,110

</TABLE>

- --------

(i) Uncollectible accounts written off, net of recoveries.

ANNEX II

THE DLT & STORAGE SYSTEMS GROUP SELECTED COMBINED FINANCIAL INFORMATION

This summary of combined financial information of the DLT & Storage Systems group ("DSSG") for fiscal years 1996 to 2000 should be read along with DSSG's audited combined financial statements contained in this Annual Report on Form 10-K. The summarized financial information, other than the statement of operations data for fiscal years 1996 and 1997 and the balance sheet data at March 31, 1996, 1997 and 1998, was taken from these financial statements.

A number of items affect the comparability of this information.

- The results of operations for fiscal year 2000 include the effect of a $40.1 million special charge associated with DSSG's strategy to reduce overhead expenses and product cost including the transfer of volume manufacturing to Penang, Malaysia.

- The results of operations for fiscal years 1999 and 2000 include charges of $89 million and $37 million, respectively, for purchased in-process research and development in connection with the acquisitions of ATL Products, Inc. ("ATL") and Meridian Data Inc. ("Meridian"), respectively.

- Prior to fiscal year 1999, almost all DLTtape media cartridges were sold directly by DSSG. However, beginning in fiscal year 1999, increased DLTtape media availability allowed licensed third party DLTtape media cartridge manufacturers to sell DLTtape media cartridges for which DSSG receives royalties. Royalty receipts by DSSG are reported as royalty revenue, which is significantly lower than the equivalent DLTtape media cartridge product revenue for DSSG. However, this royalty model has generated income from operations comparable to that generated by DLTtape media cartridge sales made directly by DSSG.

Pro forma net income per share for DSSG assumes the recapitalization occurred at the beginning of the earliest period presented.

<TABLE>
<CAPTION>

	At or For the Year Ended March 31,				
	1996	1997	1998	1999	2000
	(In thousands, except per share amounts)				
<S>	<C>	<C>	<C>	<C>	<C>
Statement of Operations Data					
Product revenue............	$335,565	$719,925	$1,162,725	$1,181,273	$1,232,442
Royalty revenue............	--	8,088	27,075	121,463	186,429
Total revenue............	335,565	728,013	1,189,800	1,302,736	1,418,871
Gross profit...............	126,610	270,339	502,214	579,919	648,890
Research and development expenses..................	24,968	30,039	62,825	99,330	122,821
Sales and marketing, general and administrative expenses..................	19,201	35,240	69,607	114,895	181,495
Special charge.............	--	--	--	--	40,083
Purchased in-process research and development expense...................	--	--	--	89,000	37,000
Income from operations.....	82,441	205,060	369,782	276,694	267,491
Net income.................	$ 34,973	$107,460	$ 223,659	$ 122,991	$ 145,614
Pro forma net income per share:					
Basic....................	$ 0.34	$ 0.92	$ 1.64	$ 0.77	$ 0.89
Diluted..................	$ 0.31	$ 0.75	$ 1.37	$ 0.73	$ 0.86

Balance Sheet Data

Property, plant and equipment, net............	$ 30,135	$ 39,114	$ 57,399	$ 73,122	$ 78,137
Total assets..............	238,337	437,925	792,070	1,013,643	1,086,004
Total long-term debt, convertible debt and redeemable preferred stock.....................	310,150	281,937	218,324	229,641	216,892

</TABLE>

DLT & STORAGE SYSTEMS GROUP

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Fiscal Year 2000 Compared With Fiscal Year 1999

Revenue. Total DSSG revenue in fiscal year 2000 was $1.4 billion, compared to $1.3 billion in fiscal year 1999, an increase of 9%. The increase in revenue reflected increased revenue from sales of storage systems and increased DLTtape media royalties, both reaching record highs in fiscal year 2000, and a decline in revenue from sales of DLTtape drives. The increase in storage systems revenue reflected an increase in shipments of tape libraries and the acquisition of ATL in September 1998, and shipments of network attached storage appliances following the acquisition of Meridian in September 1999. The increase in DLTtape media royalties reflected an increase in sales of DLTtape media cartridges at licensed media manufacturers for which DSSG earns a royalty. The overall increase in market sales of DLTtape media cartridges reflected sales of cartridges for use in both new DLTtape drives and to meet the ongoing new media needs of the installed base of DLTtape drives. The decrease in DLTtape drive revenue reflected increased shipments, offset by competitive price declines.

The table below summarizes the components of DSSG's revenue in the years ended March 31, 2000 and March 31, 1999.

<TABLE>
<CAPTION>

	1999	2000
	(in millions)	
<S>	<C>	<C>
DLTtape drives..	$ 872	$ 858
DLTtape media...	195	147
DLTtape royalty...	122	187
Storage systems...	154	323
Intra-group elimination*..................................	(40)	(96)
Revenue..	$1,303	$1,419

</TABLE>

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* Represents intra-group sales of DLTtape drives for incorporation into DSSG's tape libraries.

Sales to the DLT & Storage Systems group's top five customers in fiscal year 2000 represented 47% of revenue, compared to 53% of revenue in fiscal year 1999. These amounts reflected a retroactive combination of sales to Compaq and Digital Equipment as a result of their merger in June 1998. Sales to Compaq were 20% of revenue in fiscal year 2000, compared to 25% of revenue in fiscal year 1999, including sales made to Digital Equipment. Sales to Hewlett-Packard were 13% of revenue in fiscal years 2000 and 1999.

Sales to computer equipment manufacturers and distribution channel customers were 63% and 16% of revenue, respectively, in fiscal year 2000, compared to 71% and 17% of revenue, respectively, in fiscal year 1999. The remaining revenue in fiscal years 2000 and 1999 represented media royalty revenue and sales to value-added resellers.

Gross Margin Rate. The gross margin rate in fiscal year 2000 was 45.7%, compared to 44.5% in fiscal year 1999. The 1.2 percentage point increase reflected an increase in the proportion of overall revenue represented by DLTtape media royalty revenue, partially offset by a decline in the gross margin rate earned on DLTtape drives.

Research and Development Expenses. Research and development expenses in fiscal year 2000 were $123 million, or 8.7% of revenue, compared to $99 million, or 7.6% of revenue, in fiscal year 1999. The increase in research and development expenses reflected the inclusion of ATL's expenses, which were not included in the first two quarters of fiscal year 1999, as the acquisition occurred on September 28, 1998, the inclusion of

Meridian's expenses, which were not included in fiscal year 1999 and the first quarter of fiscal year 2000, as the acquisition occurred on September 10, 1999 and higher research and development expenses related to new tape drive products and other new information storage products, including Super DLTtape technology.

Sales and Marketing Expenses. Sales and marketing expenses in fiscal year 2000 were $119 million, or 8.4% of revenue, compared to $77 million, or 5.9% of revenue in fiscal year 1999. The increase in sales and marketing expenses reflected the inclusion of ATL and Meridian's expenses and an increase in marketing and advertising costs associated with DLTtape products.

General and Administrative Expenses. General and administrative expenses in fiscal year 2000 were $63 million, or 4.4% of revenue, compared to $38 million, or 2.9% of revenue, in fiscal year 1999. The increase in general and administrative expenses reflected the inclusion of ATL and Meridian's expenses and the amortization of intangible assets, particularly goodwill.

Special Charge. During the fourth quarter of fiscal year 2000, DSSG recorded a special charge of $40.1 million. The charge was primarily focused on DSSG's DLTtape Division and reflected DSSG's strategy to align its DLTtape drive operations with market conditions. These conditions include slower growth in the mid-range server market and increasing centralization of server backup through automation solutions, both of which have resulted in relatively flat DLTtape drive shipments. The special charge included a reduction of overhead expenses throughout the DLTape Division and an acceleration of DSSG's low cost manufacturing strategy, which includes moving volume production of DLTtape drives from Colorado Springs, Colorado to Penang, Malaysia.

The special charge consisted of $13.5 million in facility related costs, $13.9 million for the write-off of investments in optical technology, $7.6 million for severance and benefits for terminated employees, $3.2 million for fixed assets to be written-off, primarily related to the transfer of manufacturing to Penang, Malaysia and $1.9 million in other costs associated with the plan.

DSSG expects to realize annual cost savings from the plan of approximately $40 million beginning upon full implementation of the plan at the end of fiscal year 2001. Approximately $30 million of the savings are expected in cost of revenue as a result of reduced manufacturing costs with the remaining amount in operating expenses, primarily research and development, as a result of ending research on certain optical based storage solutions. As compared to fiscal year 2000, DSSG expects operating expenses to increase because of increased investments in storage systems products and marketing in fiscal year 2001 and as a result of including the Snap Division's operations for a full year following the acquisition of Meridian in September 1999. These expectations are forward-looking statements and actual results may differ.

Purchased In-process Research and Development Expense. DSSG expensed purchased in-process research and development costs of $37 million as a result of the Meridian acquisition in the second quarter of fiscal year 2000, and $89 million as a result of the ATL acquisition in the third quarter of fiscal year 1999. For additional information regarding the Meridian and ATL acquisitions and the costs associated with in-process research and development, refer to Note 5 of the Notes to Combined Financial Statements

Interest and Other Income/Expense. Net interest and other income and expense in fiscal year 2000 was nil, compared to $12 million expense in fiscal year 1999. The decrease in expense reflected increased interest income as a result of higher cash balances and a $2.6 million gain on the sale of an equity investment. In addition, the expense in fiscal year 1999 reflected a $6.8 million write-down of an equity investment.

Income Taxes. No tax benefit was recognizable for the charge for purchased in-process research and development. DSSG recorded a provision for income taxes at an effective rate of 40% of pretax earnings before the charge in fiscal years 2000 and 1999.

Net Income. DSSG reported net income in fiscal year 2000 of $146 million, compared to $123 million in fiscal year 1999. The increase reflected the lower charge for purchased in-process research and development in

fiscal year 2000, partially offset by increased operating expenses, including the special charge and increased amortization of goodwill and other intangible assets resulting from the ATL and Meridian acquisitions.

Fiscal Year 1999 Compared With Fiscal Year 1998

Revenue. Total DSSG revenue in fiscal year 1999 was $1.3 billion, compared to $1.2 billion in fiscal year 1998, an increase of 9%. The increase in revenue reflected increases in DLTtape drive revenue and total DLTtape media cartridge revenue, and the inclusion of ATL's revenue effective September 28, 1998. The increase in DLTtape drive revenue reflected strong demand in the second half of fiscal year 1999. Including sales by licensed media cartridge manufacturers, total DLTtape media cartridge revenue increased. However, direct DLTtape media cartridge sales by DSSG declined reflecting the shift in a substantial portion of DLTtape media cartridge revenue from sales by DSSG to royalties from the media cartridge manufacturers.

The table below summarizes the components of DSSG's revenue in the years ended March 31, 1999 and March 31, 1998.

	1998	1999
	(in millions)	
DLTtape drives	$ 784	$ 872
DLTtape media	284	195
DLTtape royalty	27	122
Storage systems	95	154
Intra-group elimination*	--	(40)
Revenue	$1,190	$1,303

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* Represents intra-group sales of DLTtape drives for incorporation into DSSG's tape libraries.

Sales to the DLT & Storage Systems group's top five customers in fiscal year 1999 represented 53% of revenue, compared to 63% of revenue in fiscal year 1998. These amounts reflected a retroactive combination of the sales to Compaq and Digital Equipment as a result of their merger in June 1998. Sales to Compaq were 25% of revenue in fiscal year 1999, compared to 36% of revenue in fiscal year 1998, including sales made to Digital Equipment. Sales to Hewlett-Packard were 13% of revenue in fiscal year 1999, compared to 11% of revenue in fiscal year 1998.

In fiscal year 1999, sales to computer equipment manufacturers and distribution channel customers were 71% and 17% of revenue, respectively, compared to 79% and 21% of revenue, respectively, in fiscal year 1998. The remaining revenue in fiscal year 1999 represented media royalty revenue and sales to value-added resellers.

Gross Margin Rate. The gross margin rate in fiscal year 1999 was 44.5%, compared to 42.2% in fiscal year 1998. The 2.3 percentage point increase reflected an increase in the proportion of overall revenue represented by royalty revenue. Declines in the gross margin rate earned on DLTtape drives resulting from price reductions aimed at expanding the overall market for DLTtape drives partially offset the increase from royalty revenue.

Research and Development Expenses. Research and development expenses in fiscal year 1999 were $99 million, or 7.6% of revenue, compared to $63 million, or 5.3% of revenue, in fiscal year 1998. The increase in research and development expenses reflected higher research and development expenses related to new tape drive products and to other new information storage products and technologies, including Super DLTtape technology and, to a significantly lesser extent, optical storage technology and the inclusion of ATL's expenses.

Sales and Marketing Expenses. Sales and marketing expenses in fiscal year 1999 were $77 million, or 5.9% of revenue, compared to $47 million, or 4.0% of revenue in fiscal year 1998. This reflected the inclusion of ATL's expenses and an increase in marketing and advertising costs associated with DLTtape products.

General and Administrative Expenses. General and administrative expenses in fiscal year 1999 were $38 million, or 2.9% of revenue, compared to $22 million, or 1.9% of revenue, in fiscal year 1998. The increase in general and administrative expenses reflected expansion of DSSG's infrastructure to support increased revenue and earnings growth and the inclusion of ATL's expenses.

Purchased In-process Research and Development Expense. DSSG expensed purchased in-process research and development costs of $89 million as a result of the ATL acquisition in fiscal year 1999. For additional information regarding the ATL acquisition and the costs associated with in-process research and development, see Note 5 of the Notes to Combined Financial Statements.

Interest and Other Income/Expense. Net interest and other income and expense in fiscal year 1999 was $12 million expense, compared to $3 million expense in fiscal year 1998. The increase reflected a $6.8 million write-down of an equity investment. In addition, the increase reflected a reduction in interest income as cash was used to purchase treasury stock prior to the ATL acquisition. A reduction in interest expense partially offset this increase.

Income Taxes. DSSG's effective tax rate in fiscal year 1999, excluding the write-off of the purchased in-process research and development, was 40%, compared to 39% in fiscal year 1998. DSSG recorded a provision for income taxes at an effective rate of 53.5% of pretax earnings in fiscal year 1999. This higher effective tax rate was primarily attributable to the impact of the purchased in-process research and development write-off, for which a tax benefit is not recognizable, and a lower research and development credit.

Net Income. DSSG reported net income in fiscal year 1999 of $123 million, compared to $224 million in fiscal year 1998. The decrease primarily resulted from the charge for purchased in-process research and development of $89 million. Excluding the charge, net income was $212 million, a decrease of $12 million. This decrease reflected increased amortization of goodwill and other intangible assets resulting from the ATL acquisition, increased operating expenses and decreased interest income. This decrease was partially offset by an increase in gross profit.

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments and hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. Management does not expect SFAS No. 133 to have a material effect on DSSG's financial position or results of operations. Implementation of this standard has recently been delayed by the FASB for a 12-month period. DSSG is required to adopt SFAS 133 in fiscal year 2002.

Revenue Recognition and Financial Statements. In December 1999, the Securities and Exchange Commission ("SEC") issued SEC Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." SAB 101 summarized certain of the SEC's views in applying generally accepted accounting principles to revenue recognition in financial statements. SAB 101 will be effective for Quantum in the first quarter of fiscal year 2001. DSSG is reviewing the requirements of SAB 101 and currently believes that its revenue recognition policy is consistent with the guidance of SAB 101.

Certain Transactions Involving Stock Compensation. In March 2000, Financial Accounting Standards Board issued FASB Interpretation No. 44 ("FIN 44"), "Accounting for Certain Transactions Involving Stock Compensation--an Interpretation of Accounting Principles Board ("APB") Opinion No. 25." FIN 44 clarifies the following: the definition of an employee for purposes of applying APB Opinion No. 25; the criteria for determining whether a plan qualifies as a noncompensatory plan; the accounting consequence of various modifications to the terms of the previously fixed stock options or awards; and the accounting for an exchange of stock compensation awards in a business combination. FIN 44 is effective July 1, 2000, but certain conclusions in FIN 44 cover specific events that occurred after either December 15, 1998 or January 12, 2000. Management does not expect the application of FIN 44 to have a material impact on DSSG's financial position or results of operations.

Liquidity and Capital Resources

Operating Activities. DSSG generated cash from operations of $380 million during fiscal year 2000 compared to $217 million in fiscal year 1999. The increase primarily reflected a reduction of accounts receivable and inventories and an increase in accounts payable.

Investing Activities. Investments during fiscal year 2000 were $33 million, which consisted primarily of investments in property and equipment. Investments in fiscal year 1999 totaled $35 million.

Financing Activities. At March 31, 2000, and March 31, 1999, Quantum Corporation's ("Quantum") debt allocated to DSSG was $218 million and $230 million, respectively. Debt allocated to DSSG bears interest at a rate equal to the weighted average interest rate of Quantum's total debt, calculated on a quarterly basis. At March 31, 2000, Quantum had total debt of $326 million with an average interest rate of 7.4%. During fiscal year 2000, DSSG used cash to purchase $304 million of treasury stock, as discussed below, and to pay off ATL's line of credit.

During fiscal year 2000, the Board of Directors authorized Quantum to repurchase up to $700 million of its common stocks in open market or private transactions. Of the total repurchase authorization, $600 million was authorized for repurchase of either Quantum, DSSG or HDDG common stock, while

$100 million was authorized for repurchase of HDDG common stock. During fiscal year 2000, DSSG repurchased 15.7 million shares of DSSG common stock and acquired 3.9 million shares of Quantum common stock for $304 million, and HDDG repurchased 3.5 million shares of HDDG common stock for $21 million. Quantum has utilized equity instrument contracts, including call and put options, as part of its stock repurchase program. At March 31, 2000, DSSG held equity instrument contracts that related to the purchase of 8 million shares of DSSG common stock at an average price of $10.48 per share. By May 8, 2000, DSSG had closed out its outstanding equity instrument contracts and repurchased 8 million shares of DSSG common stock for a total cost of $84 million. The equity instruments had no effect on diluted earnings per common share for fiscal year 2000.

In September 1999, Quantum's DLT & Storage Systems group issued 4.1 million DSSG shares and 1.9 million HDDG shares it had acquired (and HDDG issued 0.1 million HDDG shares) to the stockholders of Meridian to complete the acquisition of Meridian. Substantially all of the shares DSSG issued to complete the acquisition were DSSG and HDDG shares held as treasury stock. The difference between the cost of the treasury stock and the value at which the shares were reissued resulted in a $3.5 million addition to paid-in-capital in fiscal year 2000. For additional information regarding the Meridian acquisition, refer to Note 5 of the Notes to Combined Financial Statements.

In December 1998, ATL entered into a senior credit facility that provides a $35 million revolving credit line to ATL. The revolving credit line is co-terminous with Quantum's $500 million revolving credit line, expiring in June 2000. As amended, at the option of ATL, borrowings under the revolving credit line bear interest at either London interbank offered rate plus a margin determined by Quantum's total funded debt ratio, or at a base rate, with option periods of two weeks to six months. At March 31, 2000, there was no outstanding balance drawn on this line.

Quantum filed a registration statement which became effective on July 24, 1997, pursuant to which Quantum may issue debt or equity securities, in one or more series or issuances, limited to $450 million aggregate public offering price. Under the registration statement, in July 1997, Quantum issued $288 million of 7% convertible subordinated notes. The notes mature on August 1, 2004, and are convertible at the option of the holder at any time prior to maturity, unless previously redeemed, into shares of DSSG common stock and HDDG common stock. The notes are convertible into 6,206,152 shares of DSSG common stock, or 21.587 shares per $1,000 note, and 3,103,076 shares of HDDG common stock, or 10.793 shares per $1,000 note. Quantum has the option to redeem the notes on or after August 1, 1999 and prior to August 1, 2001, under certain conditions related to the price of Quantum's common stocks. Subsequent to August 1, 2001, Quantum may redeem the notes at any time. In the event of certain changes involving all or substantially all of Quantum's common stocks, the

holder would have the option to redeem the notes. Redemption prices range from 107% of the principal to 100% at maturity. The notes are unsecured obligations subordinated in right of payment to all of Quantum's existing and future senior indebtedness.

In June 1997, Quantum entered into an unsecured senior credit facility that provides a $500 million revolving credit line and expires in June 2000. At Quantum's option, borrowings under the revolving credit line bear interest at either the London interbank offered rate plus a margin determined by our total funded debt ratio, or at a base rate, with option periods of one to six months. At March 31, 2000, there was no outstanding balance drawn on this line.

In September 1996, Quantum entered into a $42 million mortgage financing related to certain domestic facilities at an effective interest rate of approximately 10.1%. The term of the mortgage is 10 years. Quantum is required to make monthly payments based on a 20-year amortization period, and a balloon payment at the end of the 10-year term.

In April 2000, both Quantum and ATL canceled their existing senior credit facilities and Quantum entered into two new unsecured credit facilities, each providing a $187.5 million revolving credit line and expiring in April 2001 and April 2003, respectively. At Quantum's option, borrowings under the revolving credit lines will bear interest at either the London interbank offered rate or a base rate, plus a margin determined by a leverage ratio with option periods of one to six months.

DSSG expects to spend approximately $60 million in fiscal year 2001 for capital equipment and leasehold improvements. These capital expenditures will support the introduction and manufacturing of Super DLTtape products; manufacturing DLTtape drives in a new location, Penang, Malaysia; and DSSG's general infrastructure.

DSSG expects its cash flow from operations, together with available financing sources, will be sufficient to meet all currently planned expenditures and sustain operations for the next 12 months. However, this belief assumes that operating results and cash flow from operations will meet DSSG's expectations.

In the future, Quantum may seek to raise cash through the issuance of debt or equity securities. There can be no assurance that such financing would be available on terms favorable to Quantum if at all.

Financial Market Risks

DSSG is exposed to a variety of risks, including changes in interest rates, foreign currency fluctuations and marketable equity security prices. To manage the volatility relating to these exposures, DSSG enters into various derivative transactions pursuant to DSSG's policies to hedge against known or forecasted market exposures.

Changes in interest rates affect interest income earned on DSSG's cash equivalents and short-term investments, and interest expense on short-term and long-term borrowings. DSSG does not enter into derivative transactions related to its cash, cash equivalents or short-term investments, nor existing or anticipated liabilities.

As a multinational corporation, DSSG is exposed to changes in foreign exchange rates. These exposures may change over time and could have a material adverse impact to our financial results.

DSSG utilized foreign currency forward contracts to manage the risk of exchange rate fluctuations. In all cases, DSSG uses these derivative instruments to reduce its foreign exchange risk by essentially creating offsetting market exposures. The instruments held by DSSG are not leveraged and are not held for trading or speculative purposes.

DSSG uses forward exchange contracts to hedge its net asset or net liability position, which primarily consists of inter-company balances, foreign tax liabilities and non-functional currency denominated receivables. The hedging activity is intended to manage the effects of foreign currency remeasurement arising from certain assets and liabilities denominated in foreign currency. The success of the hedging program depends on forecasts of transaction activity in the various currencies. To the extent that these forecasts are overstated or understated during periods of currency volatility, DSSG could experience unanticipated currency gains or losses.

Trends and Uncertainties Relating to the DLT & Storage Systems Group

Holders of DSSG stock remain stockholders of one company and, therefore, financial effects on HDDG could adversely affect DSSG

Holders of DSSG stock and HDDG stock are stockholders of a single company. DSSG and HDDG are not separate legal entities. As a result, stockholders will continue to be subject to all of the risks of an investment in Quantum and all of its businesses, assets and liabilities. The issuance of DSSG stock and HDDG stock and the allocation of assets and liabilities and stockholders' equity between DSSG and HDDG did not result in a distribution or spin-off to stockholders of any Quantum assets or liabilities and did not affect ownership of our assets or responsibility for our liabilities or those of our subsidiaries. The assets we attribute to one group could be subject to the liabilities of the other group, whether such liabilities arise from lawsuits, contracts or indebtedness that we attribute to the other group. If we are unable to satisfy one group's liabilities out of the assets we attribute to it, we may be required to satisfy those liabilities with assets we attribute to the other group.

Financial effects from one group that affect our consolidated results of operations or financial condition could, if significant, affect the results of operations or financial condition of the other group and the market price of the tracking stock relating to the other group. In addition, net losses of either group and dividends and distributions on, or repurchases of, either class of tracking stock or repurchases of preferred stock at a price per share greater than par value will reduce the funds we can pay on each class of tracking stock under Delaware law. For these reasons, you should read our consolidated financial information with the financial information we provide for each group.

Competition may increase in the tape drive market as a result of large competitors introducing tape drive products based on new technology standards

DSSG competes with companies that develop, manufacture, market and sell tape drive products. DSSG's principal competitors include Exabyte Corporation, Hewlett-Packard, Seagate Technology, Inc., Sony Corporation and StorageTek. These competitors are aggressively trying to develop new tape drive technologies that compete more successfully with DLTtape technology. Hewlett-Packard, IBM and Seagate have formed a consortium to develop new linear tape drive products. DSSG expects products based on this developing technology standard to target the high-capacity data back-up market and to compete with DSSG's products based on Super DLTtape technology. Such competition could have a material adverse impact on DSSG's operating results.

DSSG's operating results depend on new product introductions which may not be successful

To compete effectively, DSSG must improve existing products and introduce new products, such as products based on Super DLTtape technology and network attached storage appliances. DSSG cannot assure you that:

- it will introduce any of these new products in the time frame DSSG currently forecasts;

- it will not experience technical or other difficulties that could prevent or delay the introduction of these new products;

- its new products will achieve market acceptance;

- its new products will be successfully or timely qualified with DSSG's customers by meeting customer performance and quality specifications. A successful and timely customer qualification must occur before customers will place large product orders; or

- it will achieve high volume production of these new products in a timely manner, if at all.

This risk is magnified because DSSG expects technological changes, changes in customer requirements and increasing competition could result in declining sales and gross margins on its existing products.

Reliance on a limited number of third-party suppliers could result in significantly increased costs and delays in the event these suppliers experience shortages or quality problems

DSSG depends on a limited number of suppliers for components and sub-assemblies, including recording heads, media cartridges and integrated circuits, all of which are essential to the manufacture of DLTtape drives and tape libraries. DSSG currently purchases the DLTtape media cartridges it sells primarily from Fuji Photo Film Co., Ltd. and Hitachi Maxell, Ltd. DSSG cannot assure you that Fuji or Maxell will continue to supply adequate high quality media cartridges in the future. If component shortages occur, or if DSSG experiences quality problems with component suppliers, shipments of products could be significantly delayed and/or costs significantly increased. In addition, DSSG qualifies only a single source for many components and sub-assemblies, which magnifies the risk of future shortages.

DSSG's main supplier of tape heads is located in China and political instability, trade restrictions or currency fluctuations in China could have an adverse impact on DSSG's operating results

DSSG's main supplier of tape heads is located in China and political instability, trade restrictions, changes in tariff or freight rates or currency fluctuations in China could result in increased costs, delays in shipment and could have an adverse impact on DSSG's operating results.

DSSG's quarterly operating results could fluctuate significantly and past quarterly operating results should not be used to predict future performance

DSSG's quarterly operating results have fluctuated significantly in the past and could fluctuate significantly in the future. Quarterly operating results could be adversely affected by:

- an inadequate supply of DLTtape media cartridges;

- customers canceling, deferring or rescheduling significant orders as a result of excess inventory levels or other factors;

- declines in network server demand;

- failure to complete shipments in the last month of a quarter during which a substantial portion of DSSG's products are typically shipped; or

- increased competition.

A majority of sales come from a few customers and these customers have no minimum or long-term purchase commitments

DSSG's sales are concentrated with a few customers. Customers are not obligated to purchase any minimum product volume and DSSG's relationships with its customers are terminable at will. The loss of, or a significant change in demand from, one or more key customers could materially adversely impact

DSSG's operating results.

Unpredictable end-user demand may cause excess inventories which could result in inventory write-downs or losses or insufficient inventories which could have an adverse impact on DSSG's customer relationships

Unpredictable end-user demand, combined with the computer equipment manufacturer trend toward carrying minimal inventory levels, increases the risk that DSSG will manufacture and custom configure too much or too little inventory for particular customers. Significant excess inventory could result in inventory write-downs and losses while inventory shortages could adversely impact DSSG's relationship with its customers, either of which could adversely impact DSSG's operating results.

DSSG does not control licensee pricing or licensee sales of DLTtape media cartridges and as a result DSSG's royalty revenue may decline

DSSG receives a royalty fee based on sales of DLTtape media cartridges by Fuji and Maxell. Under DSSG's license agreements with Fuji and Maxell, each of the licensees determine the pricing and number of units of DLTtape media cartridges sold by it. In addition, other companies may begin to sell DLTtape media cartridges under license agreements. As a result, DSSG's royalty revenue will vary depending upon the level of sales and prices set by Fuji, Maxell and potentially other licensees. In addition, lower licensee pricing could require DSSG to lower its prices on direct sales of DLTtape media cartridges which would adversely impact DSSG's margins for this product.

Third party infringement claims could result in substantial liability and significant costs

From time to time, third parties allege DSSG's infringement of and need for a license under their patented or other proprietary technology. Adverse resolution of any third party infringement claim could subject DSSG to substantial liabilities and require it to refrain from manufacturing and selling certain products. In addition, the costs incurred in intellectual property litigation can be substantial, regardless of the outcome.

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

To the Board of Directors and Stockholders of
Quantum Corporation

We have audited the accompanying combined balance sheets of the DLT & Storage Systems group (as described in Note 1) of Quantum Corporation as of March 31, 1999 and 2000 and the related combined statements of operations, group equity, and cash flows for each of the three years in the period ended March 31, 2000. Our audits also included the financial statement schedule listed in the index at Item 14a. These financial statements and schedule are the responsibility of Quantum Corporation's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the 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 financial position of the DLT & Storage Systems group at March 31, 1999 and 2000 and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2000, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As more fully described in Note 1 to these financial statements, the DLT & Storage Systems group is a business group of Quantum Corporation; accordingly, the combined financial statements of the DLT & Storage Systems group should be read in conjunction with the audited consolidated financial statements of Quantum Corporation.

/s/ Ernst & Young LLP

San Jose, California
April 24, 2000

DLT & STORAGE SYSTEMS GROUP

COMBINED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Year Ended March 31, 1998	1999	2000
Product revenue	$1,162,725	$1,181,273	$1,232,442
Royalty revenue	27,075	121,463	186,429
Total revenue	1,189,800	1,302,736	1,418,871
Cost of revenue	687,586	722,817	769,981
Gross profit	502,214	579,919	648,890
Operating expenses:			
Research and development	62,825	99,330	122,821
Sales and marketing	47,244	76,737	118,504
General and administrative	22,363	38,158	62,991
Special charge	--	--	40,083
Purchased in-process research and development	--	89,000	37,000
	132,432	303,225	381,399
Income from operations	369,782	276,694	267,491
Interest income and other, net	18,707	5,946	18,838
Interest expense	(21,835)	(18,322)	(18,978)
Income before income taxes	366,654	264,318	267,351
Income tax provision	142,995	141,327	121,737
Net income	$ 223,659	$ 122,991	$ 145,614
Pro forma net income per share(1):			
Basic	$ 1.64	$ 0.77	$ 0.89
Diluted	$ 1.37	$ 0.73	$ 0.86
Pro forma weighted-average common shares(1):			
Basic	136,407	160,670	163,182
Diluted	170,125	167,407	169,045
Net income for the period from August 4, 1999 to March 31, 2000			$ 85,586
Net income per share:			
Basic			$ 0.53
Diluted			$ 0.51
Weighted-average common shares:			
Basic			162,023
Diluted			167,734

- --------
(1) Pro forma net income per share and pro forma weighted average common shares assume the recapitalization occurred at the beginning of the earliest period presented.

See accompanying notes to combined financial statements.

DLT & STORAGE SYSTEMS GROUP

COMBINED BALANCE SHEETS
(In thousands)

	March 31, 1999	2000

<S> <C> <C>

Assets		
Current assets:		
Cash and cash equivalents	$ 272,643	$ 336,720
Marketable securities	--	2,032
Accounts receivable, net of allowance for doubtful accounts of $2,507 and $3,492 respectively	254,228	214,107
Inventories	124,462	101,478
Deferred taxes	35,594	54,669
Other current assets	8,434	38,424
Total current assets	695,361	747,430
Property, plant and equipment, less accumulated depreciation	73,122	78,137
Intangible assets, less accumulated amortization	220,368	248,288
Other assets	24,792	12,149
	$1,013,643	$1,086,004
Liabilities and Group Equity		
Current liabilities:		
Accounts payable	$ 64,025	$ 94,596
Accrued warranty	37,988	52,593
Accrued compensation	22,557	36,379
Accrued special charge	--	20,954
Current portion of long-term debt	683	689
Due to the Hard Disk Drive group	--	30,100
Other accrued liabilities	32,850	27,749
Total current liabilities	158,103	263,060
Deferred taxes	27,355	13,578
Long-term debt	37,974	25,225
Convertible subordinated debt	191,667	191,667
Commitments and contingencies		
Group equity	598,544	592,474
	$1,013,643	$1,086,004

</TABLE>

See accompanying notes to combined financial statements.

DLT & STORAGE SYSTEMS GROUP

COMBINED STATEMENTS OF CASH FLOWS
(In thousands)

<TABLE>
<CAPTION>

	Year Ended March 31,		
	1998	1999	2000
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income	$ 223,659	$ 122,991	$ 145,614
Adjustments to reconcile net income to net cash provided by operations:			
Special charge	--	--	38,025
Purchased in-process research and development	--	89,000	37,000
Depreciation	15,484	25,952	33,987
Amortization	8,160	15,955	28,011
Deferred taxes	(11,340)	3,388	(26,049)
Compensation related to stock incentive plans	2,824	3,757	5,381
Changes in assets and liabilities:			
Accounts receivable	2,588	(78,727)	40,485
Inventories	(55,831)	2,666	24,125
Accounts payable	(2,863)	2,769	28,456
Accrued warranty	4,676	3,359	14,020
Other assets and liabilities	15,300	25,995	10,558
Net cash provided by operating activities	202,657	217,105	379,613
Cash flows from investing activities:			
Purchases of marketable securities	--	--	(4,523)
Maturities of marketable securities	--	--	12,607
Purchases of equity securities	(15,000)	(1,750)	(3,397)
Acquisition of intangible assets	(16,000)	--	(2,500)

Investment in property and equipment........	(30,682)	(33,176)	(35,192)
Proceeds from disposition of property and equipment..................................	--	3	--
Net cash used in investing activities..	(61,682)	(34,923)	(33,005)
Cash flows from financing activities:			
Proceeds from long-term credit facilities...	--	25,212	6,667
Inter-group payment for common stock issued....................................	--	(15,118)	(2,835)
Purchase of treasury stock..................	--	(305,287)	(303,766)
Principal payments on long-term credit facilities................................	(120,651)	(31,445)	(19,410)
Proceeds from issuance of common stock, net......................................	33,573	28,189	36,813
Proceeds from issuance of convertible subordinated notes........................	191,667	--	--
Net cash provided by (used in) financing activities..................	104,589	(298,449)	(282,531)
Increase (decrease) in cash and cash equivalents................................	245,564	(116,267)	64,077
Cash and cash equivalents at beginning of period.....................................	143,346	388,910	272,643
Cash and cash equivalents at end of period....	$ 388,910	$ 272,643	$ 336,720
Supplemental disclosure of cash flow information:			
Conversion of debentures to common stock....	$ 160,900	$ --	$ --
Conversion of redeemable preferred stock to common stock..............................	$ 2,592	$ --	$ --
Cash paid during the year for:			
Interest..................................	$ 19,353	$ 17,813	$ 17,885
Income taxes, net of (refunds)............	$ 44,747	$ (19,146)	$ 10,992
Tangible and intangible assets acquired for shares of Quantum, DSSG and HDDG common stock, net of cash acquired and liabilities assumed....................................	$ --	$ 274,356	$ 101,863

</TABLE>

See accompanying notes to combined financial statements.

DLT & STORAGE SYSTEMS GROUP

COMBINED STATEMENTS OF GROUP EQUITY
(In thousands)

<TABLE>
<CAPTION>

	Other	Retained Earnings	Group Equity
<S>	<C>	<C>	<C>
Balances at March 31, 1997....................	$(111,417)	$142,340	$ 30,923
Net income..................................	--	223,659	223,659
Conversion of subordinated debentures.........	157,815	--	157,815
Conversion of Series B preferred shares.......	2,592	--	2,592
Shares issued under employee stock purchase plan..	14,318	--	14,318
Shares issued under employee stock option plans, net.................................	19,255	--	19,255
Compensation expense and other................	2,824	--	2,824
Tax benefits related to stock option plans....	14,190	--	14,190
Balances at March 31, 1998....................	99,577	365,999	465,576
Net income..................................	--	122,991	122,991
Shares issued under employee stock purchase plan..	16,027	--	16,027
Shares issued under employee stock option plans, net.................................	12,162	--	12,162
Treasury shares repurchased..................	(305,287)	--	(305,287)
Treasury shares reissued for ATL acquisition..	305,287	(63,452)	241,835
New shares issued for ATL acquisition.........	15,326	--	15,326
Conversion of ATL stock options..............	14,911	--	14,911
Compensation expense and other................	3,757	--	3,757
Tax benefits related to stock option plans....	11,246	--	11,246

Balances at March 31, 1999	173,006	425,538	598,544
Net income	--	145,614	145,614
Shares issued under employee stock purchase plan	18,156	--	18,156
Shares issued under employee stock option plans, net	22,265	--	22,265
Treasury shares repurchased	(84,239)	--	(84,239)
Treasury shares reissued for Meridian acquisition	87,744	--	87,744
New shares issued for Meridian acquisition	3,394	--	3,394
Conversion of Meridian stock options	8,266	--	8,266
Treasury shares repurchased and retired	(219,527)	--	(219,527)
Compensation expense and other	5,381	--	5,381
Tracking stock issuance costs	(3,608)	--	(3,608)
Tax benefits related to stock option plans	10,484	--	10,484
Balances at March 31, 2000	$ 21,322	$571,152	$ 592,474

</TABLE>

See accompanying notes to combined financial statements.

DLT & STORAGE SYSTEMS GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1 Summary of Significant Accounting Policies

Nature of Business. Quantum Corporation ("Quantum") operates its business through two separate groups: the DLT & Storage Systems group ("DSSG") and the Hard Disk Drive group ("HDDG") as described below.

DSSG designs, develops, manufactures, licenses and markets DLTtape drives, DLTtape media cartridges and storage systems. DSSG's storage systems consists of DLTtape libraries, solid state storage systems, network attached storage appliances and service. DLTtape is DSSG's half-inch tape technology that is the de facto industry standard for data back-up in the mid-range server market.

HDDG designs, develops and markets a diversified product portfolio of hard disk drives to meet the storage requirements of entry-level to high-end desktop PCs in home and business environments, and high-end hard disk drives for the demanding storage needs of network servers, workstations and storage sub-systems. HDDG also designs hard disk drives for consumer electronics devices.

Financial Statement Presentation. The combined financial statements of DSSG, together with the combined financial statements of HDDG, include all of the accounts in the consolidated financial statements of Quantum. The separate group combined financial statements give effect to the accounting policies applicable with the implementation of the tracking stock proposal. The separate DSSG and HDDG financial statements have been prepared on a basis that management believes to be reasonable and appropriate and include (i) the historical balance sheets, results of operations, and cash flows of businesses that comprise each of the groups, with all significant intragroup transactions and balances eliminated, (ii) in the case of DSSG's financial statements, corporate assets and liabilities of Quantum and related transactions identified with DSSG, including allocated portions of Quantum's debt and selling, general and administrative costs, and (iii) in the case of HDDG's financial statements, corporate assets and liabilities of Quantum and related transactions identified with HDDG, including allocated portions of Quantum's debt and selling, general and administrative costs. Intergroup transactions and balances are not eliminated in the separate financial statements of DSSG or HDDG. Certain amounts in prior periods have been reclassified to conform to current presentation.

The combined financial statements of the DLT & Storage Systems group provide DSSG stockholders with financial information about the DLT & Storage Systems group's operations. Holders of DSSG stock and HDDG stock are Quantum stockholders and are subject to all of the risks of an investment in Quantum and all of Quantum's businesses, assets and liabilities. Quantum retains ownership and control of all of the assets and operations of each group. Financial effects arising from one group that affect Quantum's consolidated results of operations or financial condition could, if significant, affect the results of operations or financial condition of the other group and the market price of the other group's stock. Any net losses of DSSG or HDDG, and dividends or distributions on, or repurchases of HDDG stock, or repurchases of preferred stock at a price per share greater than par value, will reduce the funds of Quantum legally available for payment of dividends on DSSG stock. As a result, DSSG's combined financial statements should be read in conjunction with Quantum's consolidated financial statements and HDDG's combined financial statements.

DSSG's combined financial statements reflect the application of the management and allocation policies adopted by the Board to various corporate activities, as described below.

Financing Activities. Quantum manages most financial activities of DSSG and HDDG on a centralized basis. Such financial activities include the investment of surplus cash, the issuance and repayment of short-term and long-term debt, the issuance and repurchase of common stock, and the issuance and repurchase of any preferred stock.

At March 31, 2000, $218 million of Quantum's debt was allocated to DSSG and $109 million was allocated to HDDG. The Board has adopted the following financing policy that will affect the combined statements of DSSG and HDDG: Quantum will allocate its debt between the groups ("pooled debt") or, if Quantum so determines, in its entirety to a particular group. Quantum will allocate preferred stock, if issued, in a similar manner.

Cash allocated to one group that is used to repay pooled debt or redeem pooled preferred stock decreases such group's allocated portion of the pooled debt or preferred stock. Cash or other property allocated to one group that is transferred to the other group, if so determined by the Board, decreases the transferring group's allocated portion of the pooled debt or preferred stock and, correspondingly, increases the recipient group's allocated portion of the pooled debt or preferred stock.

Pooled debt bears interest for group financial statement purposes at a rate equal to the weighted average interest rate of the debt calculated on a quarterly basis and applied to the average pooled debt balance during the period. Preferred stock, if issued and if pooled in a manner similar to the pooled debt, may bear dividends for group financial statement purposes at a rate based on the weighted average dividend rate of the preferred stock similarly calculated and applied. Any expense related to increases in pooled debt or preferred stock is reflected in the weighted average interest or dividend rate of such pooled debt or preferred stock as a whole.

Debt for a particular financing, allocated in its entirety to one group, bears interest for group financial statement purposes at the rate determined by the Board. For preferred stock allocated in its entirety to one group, the dividend cost to that group is determined in a similar manner. If the interest or dividend cost is higher than Quantum's actual cost, the other group receives a credit for an amount equal to the difference as compensation for the use of Quantum's credit capacity. Any expense related to debt or preferred stock that is allocated in its entirety to a group is allocated in whole to that group.

Cash or other property that Quantum allocated to one group that is transferred to the other group is, if so determined by the Board, accounted for either as a short-term loan or as a long-term loan. Short-term loans and, unless Quantum's board determines otherwise, long-term loans bear interest at a rate equal to the weighted average interest rate of Quantum's pooled debt. If Quantum does not have any pooled debt, the Board determines the rate of interest for such loan. The Board establishes the terms on which long-term loans between the groups is made, including interest rate if not based on Quantum's weighted average interest rate, amortization schedule, maturity and redemption terms.

Although Quantum may allocate its debt and preferred stock between groups, the debt and preferred stock remain obligations of Quantum and all stockholders of Quantum are subject to the risks associated with those obligations.

Allocation of Support Activities. DSSG is charged for specifically identified costs of certain support activities based upon DSSG's use of such activities. Where determinations based on use alone were not practical, other methods and criteria were used to provide a reasonable allocation of the cost of support activities attributable to DSSG. Such allocated support activities included certain selling and marketing, executive management, human resources, corporate finance, legal and corporate planning costs. The total of these allocations were $28 million, $30 million, and $37 million in fiscal years 1998, 1999 and 2000, respectively. It is not practicable to provide a detailed estimate of the expenses that would be recognized if DSSG were a separate entity.

Allocation of Federal and State Income Taxes. The federal income taxes of Quantum and the subsidiaries which own assets allocated between the groups are determined on a consolidated basis. Consolidated federal income tax provisions and related tax payments or refunds are allocated between the groups based principally on

the taxable income and tax credits directly attributable to each group, as if each group were a stand-alone entity. Such allocations reflect each group's contribution (whether positive or negative) to Quantum's consolidated federal taxable income and the consolidated federal tax liability and tax credit position. Tax benefits that cannot be used by the group generating those benefits but can be used on a consolidated basis are credited to the group that generated such benefits. Accordingly, the amounts of taxes payable or refundable allocated to each group may not necessarily be the same as that which would have been payable or refundable had each group filed a separate income tax return.

Depending on the tax laws of the respective jurisdictions, state and local income taxes are calculated on either a consolidated or combined basis or on a separate corporation basis. State income tax provisions and related tax payments or refunds determined on a consolidated or combined basis are allocated between the groups based on their respective contributions to such consolidated or combined state taxable incomes. State and local income tax provisions and related tax payments which are determined on a separate corporation basis are allocated between the groups in a manner designed to reflect the respective contributions of the groups to the corporation's separate state or local taxable income.

The discussion of DSSG's income tax provision (Note 12) should be read in conjunction with Quantum's consolidated financial statements and notes thereto.

Use of Estimates. The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. In particular, significant estimates are required to value inventory and estimate the future cost associated with DSSG's warranties. If the actual value of DSSG's inventories and associated reserves differs from these estimates, DSSG's operating results could be materially adversely impacted. The actual results with regard to warranty expenditures could also have a material adverse impact on DSSG if the actual rate of unit failure or the cost to repair a unit is greater than what DSSG has used in estimating the warranty expense accrual.

Revenue Recognition. Revenue from sales of products is recognized on passage of title to customers, when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price to the buyer is fixed or determinable and collectibility is reasonably assured, with provision made for estimated returns. DSSG accrues royalty revenue based on licensees' sales that incorporate certain licensed technology, as reported by the licensees.

Foreign Currency Transactions. Assets, liabilities, and operations of foreign offices and subsidiaries are recorded based on the functional currency of the entity. For a majority of DSSG's material foreign operations, the functional currency is the U.S. dollar. In addition, a majority of DSSG's material transactions are denominated in U.S. dollars. Accordingly, transaction gains or losses have been immaterial to the financial statements for all years presented. The effect of foreign currency exchange rate fluctuations on cash was also immaterial for the years presented. Assets and liabilities denominated in other than the functional currency are remeasured each month with the remeasurement gain or loss recorded in other income.

Foreign Exchange Contracts. The effect of foreign currency rate changes on the remeasurement of certain assets and liabilities denominated in a foreign currency are managed using foreign currency forward exchange contracts. Foreign currency forward exchange contracts represent agreements to exchange the currency of one country for the currency of another country at an agreed-upon price, on an agreed-upon settlement date. Foreign currency forward exchange contracts are accounted for by the fair value method, with changes in value recognized in other income.

Equity Instruments Indexed to DSSG Common Stock. Equity instruments are utilized in connection with the Quantum's stock repurchase program which give Quantum the choice of cash settlement or settlement in shares of common stock.

Proceeds received upon the sale of equity instruments and amounts paid upon the purchase of equity instruments are recorded as a component of group equity. Subsequent changes in the fair value of the equity instruments are not recognized. If the contracts are ultimately settled in cash, the amount of cash paid or received is recorded as a component of group equity.

Net Income Per Share. As a result of the recapitalization, net income per share for DSSG has been calculated based on DSSG's net income from August 4, 1999 through March 31, 2000. It was not calculated on a group basis for periods prior to the recapitalization because DSSG stock was not part of Quantum's capital structure at that time. Pro forma net income per share presented in DSSG's statements of operations assumes that DSSG stock created in the recapitalization existed for all periods presented.

Cash Equivalents. Highly liquid debt instruments with a maturity of 90 days or less at the time of purchase are considered to be cash equivalents. Cash equivalents are carried at fair value, which approximates cost. Marketable securities have maturities of more than 90 days at the time of purchase. Cash equivalents and marketable securities have been classified as available-for-sale. Securities classified as available-for-sale are carried at fair value with material unrealized gains and losses reported in group equity. The cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in interest income. Realized gains and losses and declines in value judged to be other-than-temporary are recorded in other income or expense. The cost of securities sold is based on the specific identification method.

Concentration of Credit Risk. Quantum performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral from its customers. Sales to DSSG's top five customers in fiscal year 2000 represented 47% of revenue. Two customers accounted for 20% and 13% of revenue, respectively. Reserves are maintained for potential credit losses and such losses have historically been within management's expectations.

Quantum invests its excess cash in deposits with major banks and in money market funds and short-term debt securities of companies with strong credit ratings from a variety of industries. These securities generally mature within 365 days and, therefore, bear minimal risk. Quantum has not experienced any material losses on these investments. Quantum, by corporate policy, limits the amount of credit exposure to any one issuer and to any one type of investment.

Investments. Investments in entities (less-than-20-percent-owned companies) that are not represented by marketable securities are carried at cost less write-downs for declines in value that are judged to be other-than-temporary. Dividends are recorded in other income when received.

Inventories. Inventories are carried at the lower of cost or market. Cost is determined on a first-in, first-out basis.

Property, Plant and Equipment. Property, plant and equipment are carried at cost, less accumulated depreciation and amortization computed on a straight-line basis over the lesser of the estimated useful lives of the assets (generally three to ten years for machinery, equipment, furniture, and leasehold improvements; and twenty-five years for buildings) or the lease term.

Acquired Intangible Assets. Goodwill and other acquired intangible assets are amortized over their estimated useful lives, which range from two to fifteen years. The accumulated amortization at March 31, 1999 and 2000 was $13 million and $34 million, respectively. Intangible assets are reviewed for impairment whenever events or circumstances indicate impairment might exist, or at least annually. DSSG assesses the recoverability

of its assets including goodwill, by comparing projected undiscounted net cash flows associated with those assets against their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets.

Warranty Expense. DSSG generally warrants its products against defects for a period of one to three years. A provision for estimated future costs relating to warranty expense is recorded when products are shipped and revenue recognized.

Advertising Expense. DSSG accrues for co-operative advertising as the related revenue is earned, and other advertising expense is recorded as incurred. Advertising expense for the years ended March 31, 1998, 1999 and 2000, was $15 million, $26 million, and $29 million, respectively.

Stock-Based Compensation. DSSG accounts for its stock-based employee compensation plans in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" and related Interpretations.

Risks and Uncertainties. As is typical in the information storage industry, a significant portion of DSSG's customer base is concentrated with a small number of OEMs, and DSSG is not able to predict whether there will be any significant change in the demand for its customers' products. The loss of any one of DSSG's more significant customers could have a material adverse effect on DSSG's results of operations. A limited number of tape drive storage products make up a significant majority of DSSG's sales, and due to increasingly rapid technological change in the industry, DSSG's future depends on its ability to develop and successfully introduce new products.

Derivative Instruments and Hedging Activities. In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments and hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. Management does not expect SFAS No. 133 to have a material effect on DSSG's financial position or results of operations. Implementation of this standard has recently been delayed by the FASB for a 12-month period. DSSG is required to adopt SFAS 133 in fiscal year 2002.

Revenue Recognition and Financial Statements. In December 1999, the Securities and Exchange Commission ("SEC") issued SEC Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." SAB 101 summarized certain of the SEC's views in applying generally accepted accounting principles to revenue recognition in financial statements. SAB 101 will be effective for Quantum in the first quarter of fiscal year 2001. DSSG is reviewing the requirements of SAB 101 and currently believes that its revenue recognition policy is consistent with the guidance of SAB 101.

Certain Transactions Involving Stock Compensation. In March 2000, FASB issued FASB Interpretation No. 44 ("FIN 44"), "Accounting for Certain Transactions Involving Stock Compensation--an Interpretation of APB Opinion No. 25." FIN 44 clarifies the following: the definition of an employee for purposes of applying APB Opinion No. 25; the criteria for determining whether a plan qualifies as a noncompensatory plan; the accounting consequence of various modifications to the terms of the previously fixed stock options or awards; and the accounting for an exchange of stock compensation awards in a business combination. FIN 44 is effective July 1, 2000, but certain conclusions in FIN 44 cover specific events that occurred after either December 15, 1998 or January 12, 2000. Management does not expect the application of FIN 44 to have a material impact on DSSG's financial position or results of operations.

Note 2 Financial Instruments

Available-For-Sale Securities

Quantum's cash and cash equivalents, including certain available-for-sale securities, are allocated between the DLT & Storage Systems group and the Hard Disk Drive group.

The following is a summary of Quantum's consolidated available-for-sale securities, all of which are classified as cash equivalents and marketable securities:

<TABLE>
<CAPTION>

	March 31, 1999		March 31, 2000	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)			
<S>	<C>	<C>	<C>	<C>
Certificates of deposit.............	$499,400	$499,400	$590,171	$590,171
Money market funds...................	125,200	125,200	131,900	131,900
Corporate commercial paper and bank notes.............................	58,484	58,486	128,222	128,246
U.S. Treasury securities and obligations of U.S. government agencies...........................	100,589	100,589	28,952	28,962
Equity investments...................	--	--	8	30,048

Other	5,121	5,121	14,500	14,500
	$788,794	$788,796	$893,753	$923,827
Included in cash and cash equivalents	$764,368	$764,368	$891,713	$891,747
Included in marketable securities	24,426	24,428	2,040	32,080
	$788,794	$788,796	$893,753	$923,827

</TABLE>

The difference between the amortized cost of available-for-sale securities and fair value was immaterial at March 31, 1999. At March 31, 2000, unrealized gains on available-for-sale securities were recorded, net of tax, as a component of accumulated other comprehensive income within Quantum's stockholders' equity. The estimated fair value of available-for-sale securities is based on market quotations. There were no sales of available-for-sale securities in fiscal years 1999 or 2000. At March 31, 2000, the average available-for-sale portfolio duration was approximately 15 days for debt securities, and no security had a maturity longer than one year.

Derivative Financial Instruments

Foreign Exchange--Asset and Liability Management. During the periods covered by the financial statements, Quantum utilized foreign currency forward exchange contracts to manage the effects of foreign currency remeasurement arising from certain assets and liabilities denominated in a foreign currency. The gains and losses from market rate changes on these contracts, which are intended to offset the losses and gains on certain foreign currency denominated assets and liabilities, are recorded monthly in other income. Such gains and losses have been immaterial to DSSG.

Carrying Amount and Fair Values of Financial Instruments

The estimated fair value of Quantum's borrowings (pooled debt) are summarized as follows:

<TABLE>
<CAPTION>

	March 31,			
	1999		2000	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In millions)			
<S>	<C>	<C>	<C>	<C>
Convertible subordinated debt	$287.5	$254.6	$287.5	$227.1
Revolving credit line	18.0	18.0	--	--
Mortgage loan	40.0	40.8	38.9	39.0

</TABLE>

The fair values for the convertible subordinated debt were based on the quoted market price at the balance sheet dates. Fair value for the revolving credit agreement approximated its carrying amount, since interest rates on these borrowings are adjusted periodically to reflect market interest rates. The fair values of the mortgage loan were based on the estimated present value of the remaining payments, utilizing risk-adjusted market interest rates of similar instruments at the balance sheet dates.

Note 3 Inventories

Inventories consisted of:

<TABLE>
<CAPTION>

	March 31,	
	1999	2000
	(In thousands)	
<S>	<C>	<C>
Materials and purchased parts	$ 60,138	$ 41,819
Work in process	22,154	37,024
Finished goods	42,170	22,635

	$124,462	$101,478
	========	========

</TABLE>

Note 4 Property, Plant, and Equipment

Property, plant, and equipment consisted of:

<TABLE>
<CAPTION>

	March 31, 1999	March 31, 2000
	(In thousands)	
Machinery and equipment	$ 82,923	$116,864
Furniture and fixtures	7,556	8,006
Buildings and leasehold improvements	36,151	33,305
Land	1,122	959
	127,752	159,134
Less accumulated depreciation and amortization	(54,630)	(80,997)
	$ 73,122	$ 78,137

</TABLE>

Note 5 Business Combinations

Meridian Data, Inc.

On September 10, 1999, Quantum's DLT & Storage Systems group completed the acquisition of Meridian Data, Inc. ("Meridian"). Meridian is a developer and manufacturer of network attached storage appliances for the PC local area network environment. The acquisition has been accounted for as a purchase at a total cost of $115 million. The acquisition was completed with the issuance of 4.1 million shares of DSSG common stock and 2 million shares of HDDG common stock valued at $74 million and $18 million, respectively, on the date of acquisition in exchange for all outstanding shares of Meridian; the conversion of outstanding Meridian stock options into options to purchase 630,000 shares of DSSG common stock and 315,000 shares of HDDG common stock valued at $8 million and $2 million, respectively; and the assumption of Meridian liabilities and other acquisition costs of approximately $13 million. At the date of acquisition, Meridian had $11 million of cash and marketable securities and a net operating loss carryforward for U.S. federal income tax purposes of approximately $46 million. Meridian's results of operations are included in the financial statements from the date of acquisition, and the assets and liabilities acquired were recorded based on their fair values as of the date of acquisition. Pro forma results of operations have not been presented because the effect of the acquisition was not material to DSSG's financial position or results of operations.

The purchase price has been allocated based on the estimated fair market value of net tangible and intangible assets acquired and assumed liabilities as well as in-process research and development costs. As of the acquisition date, technological feasibility of the in-process technology has not been established and the technology has no alternative future use. Therefore, DSSG expensed $37 million of the purchase price as in-process research and development in the second quarter of fiscal year 2000. The remaining intangible assets will be amortized on a straight-line basis over periods ranging from five to ten years.

The following is a summary of the purchase price allocation (in millions):

<TABLE>

Tangible assets acquired	$ 12
In-process research and development	37
Completed technology	29
Trademark	4
Assembled workforce	3
Goodwill	45
Deferred tax liability	(15)
	$115

</TABLE>

The amount of the purchase price allocated to in-process research and development was determined by estimating the stage of development of each in-process research and development project at the date of acquisition, estimating cash flows resulting from the expected revenue generated from such projects, and discounting the net cash flows back to their present value using a discount rate of 21%, which represents a premium to Quantum's cost of capital. The expected revenue assumes an average compound annual revenue growth rate of 64% during calendar years 1999 through 2007. Expected total revenue from the purchased in-process projects peak in calendar year 2005 and then begin to decline as other new products are expected to be introduced. These projections are based on management's estimates of market size and growth, expected trends in technology and the expected timing of new product introductions.

Four in-process research and development projects were identified and valued, including three Snap! Server projects and one operating system ("O/S") project. The Snap! Server is a family of network attached storage appliances with products, which incorporate hard disk drives and an O/S designed to meet the requirements of

entry and workgroup level computing environments where multiple computer users access shared data files over a local area network. Since the O/S represents a significant technology component of the Snap! Server product, the O/S technology was valued as a separate technology asset. These projects are intended to provide additional capacity and enhanced functionality to current Snap! Server products. The Snap! Server projects and the O/S project represent 61% and 39%, respectively, of the total in-process research and development value of $37 million. As of September 10, 1999, the Snap! Server projects ranged from 24% to 82% complete and the O/S technology project was 39% complete. The Snap! Server and O/S projects were completed on schedule in fiscal year 2000.

ATL Products, Inc.

On September 28, 1998, Quantum completed the acquisition of ATL Products, Inc. ("ATL"). ATL designs, manufactures, markets and services automated tape libraries for the networked computer market. ATL's products incorporate DLTtape drives as well as ATL's proprietary IntelliGrip automation technology. The acquisition has been accounted for as a purchase with a total cost of $335 million. The acquisition was completed with the issuance of 16.9 million shares of Quantum common stock valued at $265 million on the date of acquisition in exchange for all outstanding shares of ATL, the conversion of outstanding ATL stock options into options valued at $22 million to purchase 1.8 million shares of Quantum common stock and the assumption of $45 million of ATL liabilities. DSSG also recognized deferred tax liabilities of $33 million. ATL's results of operations are included in the financial statements from the date of acquisition, and the assets and liabilities acquired were recorded based on their fair values as of the date of acquisition.

The purchase price has been allocated based on the estimated fair market value of net tangible and intangible assets acquired and assumed liabilities as well as in-process research and development costs. As of the acquisition date, technological feasibility of the in-process technology has not been established, and the technology has no alternative future use. Therefore, DSSG expensed $89 million of the purchase price as in-process research and development in the third quarter of fiscal year 1999. The remaining identifiable intangible assets are being amortized on a straight-line basis over periods ranging from two to fifteen years.

The following is a summary of the purchase price allocation (in millions):

<TABLE>

<S>	<C>
Tangible assets acquired	$ 59
In-process research and development	89
Completed technology	42
Trademarks and trade names	20
Original equipment manufacturer and value added reseller customer relationships	14
Assembled workforce	4
Non-compete agreements	2
Goodwill	138
Deferred tax liability	(33)
	$335

</TABLE>

The amount of the purchase price allocated to in-process research and development was determined by estimating the stage of development of each in-process research and development project at the date of acquisition, estimating cash flows resulting from the expected revenue generated from such projects, and discounting the net cash flows back to their present value using a discount rate of 20%, which represents a premium to Quantum's cost of capital. The expected revenue assumes an average compound annual revenue growth rate of 37% during fiscal years 1999 to 2007. Expected total revenues from the purchased in-process projects peak in fiscal year 2002 and then begin to decline as other new products are expected to be introduced.

These projections were based on management's estimates of market size and growth, expected trends in technology and the expected timing of new product introductions.

Five in-process research and development projects were identified and valued, including three tape library projects, one network project and one software project. These projects were intended to develop next-generation automated tape library and software management products. As of September 28, 1998, the tape library projects ranged from 68% to 83% complete, the network project was 54% complete and the software project was 78% complete. These projects were completed by the end of fiscal year 2000.

The following unaudited pro forma information has been prepared assuming that the acquisition had taken place at the beginning of fiscal year 1998. The pro forma financial information is not necessarily indicative of the combined results that would have occurred had the acquisition taken place at the beginning of the periods, nor is it necessarily indicative of results that may occur in the future.

	Year Ended March 31, 1998	Year Ended March 31, 1999
	(In thousands)	
Total revenue	$1,250,802	$1,343,037
Net income	$ 208,443	$ 202,363

Note 6 Special Charge

During the fourth quarter of fiscal year 2000, DSSG recorded a special charge of $40.1 million. The charge was primarily focused on DSSG's DLTtape Division and reflected DSSG's strategy to align its DLTtape drive operations with market conditions. These conditions include slower growth in the mid-range server market and increasing centralization of server backup through automation solutions, both of which have resulted in relatively flat DLTtape drive shipments. The special charge included a reduction of overhead expenses throughout the DLTape Division and an acceleration of DSSG's low cost manufacturing strategy, which includes moving volume production of DLTtape drives from Colorado Springs, Colorado to Penang, Malaysia.

The special charge consisted of $13.5 million in facility related costs, $13.9 million for the write-off of investments in optical technology, $7.6 million for severance and benefits for terminated employees, $3.2 million for fixed assets to be written-off, primarily related to the transfer of manufacturing to Penang, Malaysia and $1.9 million in other costs associated with the plan.

The facilities costs noted above include lease payments for vacant space in a facility in Colorado Springs, Colorado, the write off of related leasehold improvements and manufacturing equipment, as well as the write-off of certain leasehold improvements at Quantum's facility in Penang, Malaysia, as this space is converted to DSSG manufacturing. DSSG expects that the Colorado facility will be vacated by the end of fiscal year 2001.

The write-off of investments reflects DSSG's decision to end its research on certain optical based storage solutions. As a result, DSSG has written of an equity investment and technology licenses related to optical technology.

DSSG currently expects a workforce reduction of approximately 900 employees. The reduction in force primarily affects employees at DSSG's manufacturing operations in Colorado Springs, Colorado, as well as administrative employees within the DLTtape Division. As of March 31, 2000, 178 employees had been terminated. DSSG anticipates that the remaining employees will be terminated by the end of the second quarter of fiscal year 2001.

DLT & STORAGE SYSTEMS GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

As of March 31, 2000, DSSG had incurred cash expenditures of $2 million associated with employee severance and benefits and other costs. DSSG expects to incur additional cash expenditures associated with the plan of approximately $16 million, which will be funded out of operations.

The following table summarizes activity related to the special charge at March 31, 2000:

	Severance And Benefits	Facilities Costs	Investments	Fixed Assets	Other Costs	Total
	(In thousands)					
Special charge provision	$7,646	$13,500	$ 13,908	$ 3,163	$ 1,866	$ 40,083
Cash payments	(956)	--	--	--	(1,102)	(2,058)
Non-cash charges	--	--	(13,908)	(3,163)	--	(17,071)
Balance at March 31, 2000	$6,690	$13,500	$ --	$ --	$ 764	$ 20,954

Note 7 Credit Agreements, Long-Term Debt and Convertible Subordinated Debt

Quantum's debt includes the following:

	March 31, 1999	March 31, 2000
	(In thousands)	
7% convertible subordinated notes	$287,500	$287,500
Revolving credit line, 6.0% average rate, payable through June 2000	18,000	--
Mortgage	39,985	38,871
	345,485	326,371
Less short-term portion of debt	1,024	1,033
Total long-term debt and convertible subordinated debt	$344,461	$325,338
The DLT & Storage Systems group's portion of Quantum debt:		
Short-term debt	$ 683	$ 689
Long-term debt and convertible subordinated debt, excluding current portion	229,641	216,892
The DLT & Storage Systems group total debt	$230,324	$217,581
The Hard Disk Drive group's portion of Quantum debt:		
Short-term debt	$ 341	$ 344
Long-term debt and convertible subordinated debt, excluding current portion	114,820	108,446
The Hard Disk Drive group total debt	$115,161	$108,790
Weighted average interest rate on Quantum's debt at period-end	7.31%	7.37%

In June 1997, Quantum entered into an unsecured senior credit facility that provides a $500 million revolving credit line and expires in June 2000. At the option of Quantum, borrowings under the revolving credit line bear interest at either the London interbank offered rate plus a margin determined by a total funded debt ratio, or at a base rate, with option periods of one to six months. At March 31, 1999 and March 31, 2000, there was no outstanding balance drawn on this line.

In December 1998, ATL entered into a senior credit facility that provides a $35 million revolving credit line to ATL. The revolving credit line is co-terminous with Quantum's $500 million revolving credit line, expiring in

June 2000. As amended, at the option of ATL, borrowings under the revolving credit line bear interest at either the London interbank offered rate plus a margin determined by Quantum's total funded debt ratio, or at a base rate, with option periods of two weeks to six months. At March 31, 1999, $18 million was outstanding and at March 31, 2000, there was no outstanding balance drawn on this line.

In July 1997, Quantum issued $288 million of 7% convertible subordinated notes. The notes mature on August 1, 2004, and are convertible at the option of the holder at any time prior to maturity, unless previously redeemed, into shares of DSSG common stock and HDDG common stock. The notes are convertible into 6,206,152 shares of DSSG common stock, or 21.587 shares per $1,000 note, and 3,103,076 shares of HDDG common stock, or 10.793 shares per $1,000 note. Quantum has the option to redeem the notes on or after August 1, 1999 and prior to August 1, 2001, under certain conditions related to the price of Quantum's common stocks. Subsequent to August 1, 2001, Quantum may redeem the notes at any time. In the event of certain changes involving all or substantially all of Quantum's common stocks, the holder would have the option to redeem the notes. Redemption prices range from 107% of the principal to 100% at maturity. The notes are unsecured obligations subordinated in right of payment to all of Quantum's existing and future senior indebtedness.

In September 1996, Quantum entered into a $42 million mortgage related to certain domestic facilities at an effective interest rate of approximately 10.1%. The term of the mortgage is 10 years, with monthly payments based on a 20-year amortization period, and a balloon payment at the end of the 10-year term. The debt is secured by specified real estate.

Principal payments required on Quantum's long-term debt outstanding at March 31, 2000, are $1.1 million in fiscal year 2001, $1.2 million in fiscal year 2002, $1.3 million in fiscal year 2003, $1.5 million in fiscal year 2004 and $1.6 million in fiscal year 2005.

Subsequent to March 31, 2000, Quantum entered into new credit facility agreements as described in Note 16 of the Notes to Combined Financial Statements.

Note 8 Stock Incentive Plans

As a result of the recapitalization, each outstanding stock option under Quantum's stock option plans was converted into separately exercisable options to acquire one share of DLT & Storage Systems group stock and one-half of a share of Hard Disk Drive group stock. The exercise price for the resulting DSSG stock options and HDDG stock options was calculated by multiplying the exercise price under the original options by a fraction, the numerator of which was the opening price of DSSG stock or HDDG stock on August 4, 1999 (the date such stocks were first traded on the New York Stock Exchange) and the denominator of which was the sum of these DSSG stock and HDDG stock prices. However, the aggregate intrinsic value of the options was not increased, and the ratio of the exercise price per option to the market value per share was not reduced. In addition, the vesting provisions and option periods of the original grants remained the same upon conversion.

Long-Term Incentive Plan. Quantum has a Long-Term Incentive Plan (the "Plan") that provides for the issuance of stock options, stock appreciation rights, stock purchase rights, and long-term performance awards (collectively referred to as "options") to employees, consultants, officers and affiliates of Quantum. The Plan has available and reserved for future issuance 23.6 million shares and 11.3 million shares of DSSG and HDDG stock, respectively, and allows for an annual increase in the number of shares available for issuance, subject to a limitation. Available for grant as of March 31, 2000, were 4.1 million shares of DSSG stock and 1.1 million shares of HDDG stock. Options under the Plan expire no later than ten years from the grant date and generally vest over four years. Restricted stock granted under the Plan generally vests over two to three years. Compensation expense of $2,119,000, $2,141,000, and $2,097,000 was recorded by DSSG in fiscal years 1998,

1999 and 2000, respectively, on restricted stock options granted pursuant to stock purchase rights under the Plan. In fiscal years 1998, 1999 and 2000, Quantum granted 65,500 shares, 157,200 shares, and 99,800 shares, respectively, of Quantum Corporation restricted stock under the Plan at an exercise price of $.01 per share. Additionally, 321,600 shares of DSSG restricted stock and 155,800 shares of HDDG restricted stock were granted during fiscal year 2000 at an exercise price of $.01 per share.

Supplemental Plan. Quantum has a Supplemental Stock Plan (the "SSP") that provides for the issuance of stock options and stock purchase rights (collectively referred to as "options") to employees and consultants of Quantum. The SSP has available and reserved for future issuance 9.7 million shares and 5.7 million shares of DSSG group stock and HDDG stock, respectively. Options under the SSP generally vest over two to four years and expire ten years after the grant date. At March 31, 2000, options with respect to 1.8 million shares of DSSG stock and 853,000 shares of HDDG stock were available for grant. Restricted stock granted under the SSP generally vests over two to three years. In fiscal year 2000, compensation expense of $3,108,000 related to restricted stock granted was recorded by DSSG pursuant to stock purchase rights under the SSP. In fiscal year 2000, 3.0 million shares of DSSG restricted stock and 1.5 million of HDDG restricted stock were granted under the SSP at an exercise price of $.01 per share.

Stock Option Plans. Quantum has Stock Option Plans (the "Plans") under which 4.3 million shares and 2.0 million shares of DSSG stock and HDDG stock, respectively, were reserved for future issuance at March 31, 2000 to employees, officers and directors of Quantum. Options under the Plans are granted at prices determined by the Board of Directors, but at not less than the fair market value, and accordingly no compensation accounting has been required at the original date of grant. Options currently expire no later than ten years from the grant date and generally vest ratably over one to four years. At March 31, 2000, options with respect to 377,500 shares and 189,000 shares of DSSG stock and HDDG stock, respectively, were available for grant.

Stock Option Summary Information. A summary of activity relating to the Long-Term Incentive Plan, the Supplemental Plan and the Stock Option Plans follows:

<TABLE>
<CAPTION>

	Year Ended March 31,							
	1998		1999		2000			
					Period from April 1, 1999, to August 3, 1999		Period from August 4, 1999 to March 31, 2000	
	Quantum Corporation		Quantum Corporation		Quantum Corporation		DLT & Storage Systems Group	
	Shares (000s)	Weighted-Avg. Exercise Price	Shares (000s)	Weighted-Avg. Exercise Price	Shares (000s)	Weighted-Avg. Exercise Price	Shares (000s)	Weighted-Avg. Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Outstanding at beginning of period.............	16,354	$ 7.52	17,005	$12.09	23,376	$14.68	26,412	$13.18
Granted.................	6,163	$19.80	10,781	$21.51	4,719	$18.91	11,037	$ 6.45
Canceled................	(718)	$14.11	(1,880)	$22.63	(585)	$18.56	(3,404)	$15.17
Exercised..............	(4,794)	$ 6.10	(2,530)	$ 7.23	(1,098)	$ 8.87	(2,605)	$ 6.27
Outstanding at end of period................	17,005	$12.09	23,376	$14.68	26,412	$15.58	31,440	$11.14
Exercisable at end of period................	8,332	$ 8.84	11,786	$10.65	13,037	$11.95	13,686	$11.03

</TABLE>

The exercise prices for options outstanding at March 31, 2000 range from $0.01 to $26.07 for DSSG stock. Compensation expense of $705,000, $1,459,000, and $189,000 was recorded by DSSG in fiscal years 1998, 1999 and 2000, respectively, in connection with accelerated vesting of Quantum and DSSG stock options under the Plans.

The following tables summarize information about DSSG options outstanding and exercisable at March 31, 2000:

DLT & Storage Systems Group

Range of Exercise Prices	Outstanding Options: Shares Outstanding at March 31, 2000 (000s)	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price
$0.01-$6.61...........	8,349	4.04	$ 3.17
$6.64-$13.88..........	9,303	8.73	$ 9.20
$14.19-$26.07.........	13,788	8.28	$17.28
	31,440	7.29	$11.14

Range of Exercise Prices	Options Exercisable: Shares Outstanding at March 31, 2000 (000s)	Weighted-Average Exercise Price
$0.01-$6.61......................	4,974	$ 5.03
$6.64-$13.88.....................	2,870	$ 9.01
$14.19-$26.07....................	5,842	$17.12
	13,686	$11.03

Expiration dates ranged from April 27, 2000 to February 11, 2011 for DSSG's options outstanding at March 31, 2000. Prices for options exercised during the three-year period ended March 31, 2000, were as follows:

	Period	Price range
Quantum Corporation...........................	4/1/97-8/3/99	$0.01-$23.94
DLT & Storage Systems Group...................	8/4/99-3/31/00	$0.01-$19.83

Proceeds received by Quantum and DSSG from exercises are credited to common stock and capital in excess of par value.

Completing the acquisition of Meridian in September 1999 included the conversion of outstanding Meridian stock options into options to purchase 630,000 shares of DSSG common stock and 315,000 shares of HDDG common stock. These options relate to Quantum's assumption of Meridian's 1985 Director Incentive Stock Plan, 1988 Incentive Stock Plan, 1995 Director Stock Plan and the 1997 Stock Plan, collectively referred to as the "Meridian Plans." Under the terms of the Meridian Plans, employees, directors and consultants received options to purchase shares of Meridian's previously outstanding common stock at prices not less than 100% of the fair value on the date of grant as determined by Meridian's Board of Directors. Options under Meridian Plans vest over a four year period and expire ten years after date of grant or from 30 days to three months after termination of employment. Subsequent to completing the acquisition of Meridian, no additional grants may be made from the Meridian Plans. See Note 5 for more information on the acquisition of Meridian.

Completing the acquisition of ATL in September 1998 included the conversion of outstanding ATL stock options into options to purchase 1.8 million shares of Quantum common stock, which were converted, as a result of the recapitalization, into 1.8 million shares and 0.9 million shares of DSSG common stock and HDDG

common stock, respectively. These options relate to Quantum's assumption of ATL's 1996 Stock Incentive Plan and 1997 Stock Incentive Plan, collectively referred to as the "ATL Plans." Under the terms of the ATL Plans, eligible key employees, directors and consultants received options to purchase shares of ATL's previously outstanding common stock at prices not less than 100% for incentive stock options and not less than 85% for nonqualified stock options of the fair value on the date of grant as determined by ATL's Board of

Directors. Options under ATL Plans vest over a three year period and expire ten years after date of grant or 90 days after termination of employment. Subsequent to completing the acquisition of ATL, no additional grants may be made from the ATL Plans. See Note 5 for more information on the acquisition of ATL.

Stock Purchase Plan. Quantum has an employee stock purchase plan (the "Purchase Plan") that allows for the purchase of stock at 85% of fair market value at the date of grant or the exercise date, whichever value is less. The Purchase Plan is qualified under Section 423 of the Internal Revenue Code. Of the 24.8 million DSSG shares and 12.4 million Hard Disk Drive group shares authorized to be issued under the plan, 1,394,000 shares and 698,000 shares, respectively, were available for issuance at March 31, 2000. Employees purchased 3,454,000 shares, 2,555,000 shares, and 829,000 shares of Quantum Corporation common stock under the Purchase Plan in fiscal years 1998, 1999, and 2000, respectively. Additionally, employees purchased 1,145,000 shares of DSSG stock and 571,000 shares of HDDG stock during fiscal year 2000. The weighted average exercise price of Quantum Corporation stock purchased under the Purchase Plan was $6.22, $9.41, and $16.16 in fiscal years 1998, 1999, and 2000, respectively. The weighted average exercise price of DSSG stock purchased under the Purchase Plan was $8.08 in fiscal year 2000.

Pro forma information. Quantum adopted SFAS No. 123, "Accounting for Stock-Based Compensation" in fiscal year 1997. Quantum has elected to continue to account for its stock-based compensation plans under APB Opinion No. 25 and disclose the pro forma effects of the plans on net income and earnings per share as provided by SFAS No. 123. Accordingly, no compensation expense has been recognized for the stock option plans and the employee stock purchase plans as all options have been issued at fair market value.

Pro forma net income and earnings per share information, as required by SFAS No. 123, have been determined as if Quantum had accounted for its employee stock options (including shares issued under the Long-Term Incentive Plan, Supplemental Plan, Stock Option Plans, and the Stock Purchase Plan, collectively called "options") granted subsequent to March 31, 1995, under the fair value method of that statement.

The fair value of options granted in fiscal years 1998, 1999 and 2000 reported below have been estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions:

Quantum Corporation

<TABLE>
<CAPTION>

	Long-Term Incentive Plan, Supplemental Plan And Stock Option Plans			Stock Purchase Plan		
	Fiscal 1998	Fiscal 1999	Fiscal 2000	Fiscal 1998	Fiscal 1999	Fiscal 2000
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Option life (in years)............	2.9	3.1	2.8	1.6	1.4	1.1
Risk-free interest rate...........	6.25%	5.52%	5.19%	6.13%	5.85%	5.57%
Stock price volatility............	.56	.61	.65	.53	.56	.62
Dividend yield....................	--	--	--	--	--	--

</TABLE>

DLT & Storage Systems Group

<TABLE>
<CAPTION>

	Long-Term Incentive Plan, Supplemental Plan And Stock Option Plans			Stock Purchase Plan		
	Fiscal 1998	Fiscal 1999	Fiscal 2000	Fiscal 1998	Fiscal 1999	Fiscal 2000
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Option life (in years)............	--	--	2.2	--	--	0.8
Risk-free interest rate...........	--	--	6.43%	--	--	6.12%

Stock price volatility	--	--	.67	--	--	.66
Dividend yield	--	--	--	--	--	--

</TABLE>

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because Quantum Corporation and DSSG options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in the opinion of management, the existing models do not necessarily provide a reliable single measure of the fair value of the options.

The following is a summary of weighted-average grant date fair values:

Quantum Corporation

<TABLE>
<CAPTION>

	Weighted-Average Grant Date Fair Value		
	Fiscal 1998	Fiscal 1999	Fiscal 2000
<S>	<C>	<C>	<C>
Options granted under the Long-Term Incentive Plan, Supplemental Plan and Stock Option Plans	$ 8.39	$ 9.86	$ 8.55
Restricted stock granted under the Long-Term Incentive Plan and Supplemental Plan	$23.68	$22.40	$18.99
Shares granted under the Stock Purchase Plan	$ 3.56	$ 4.86	$ 7.85

</TABLE>

DLT & Storage Systems Group

<TABLE>
<CAPTION>

	Weighted-Average Grant Date Fair Value
	Fiscal 2000
<S>	<C>
Options granted under the Long-Term Incentive Plan, Supplemental Plan and Stock Option Plans	$4.03
Restricted stock granted under the Long-Term Incentive Plan and Supplemental Plan	$8.86
Shares granted under the Stock Purchase Plan	$4.62

</TABLE>

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the option's vesting period. Quantum's and DSSG's pro forma net income (loss) and net income (loss) per share follows:

Quantum Corporation

<TABLE>
<CAPTION>

	Year Ended March 31,		Period from April 1, 1999, to August 3, 1999
	1998	1999	
<S>	<C>	<C>	<C>
Net income (loss) (in thousands)	$139,907	$(83,964)	$(32,227)
Net income (loss) per share:			
Basic	$ 1.03	$ (0.52)	$ (0.19)
Diluted	$ 0.88	$ (0.52)	$ (0.19)

</TABLE>

DLT & Storage Systems Group

	Period from August 4, 1999, to March 31, 2000
Net income (in thousands)	$54,265
Net income per share:	
Basic	$ 0.33
Diluted	$ 0.33

Since DSSG stock was not part of the capital structure of Quantum prior to the recapitalization on August 3, 1999 and no DSSG stock options were outstanding prior to this date, pro forma information for DSSG for fiscal years 1999 and 1998 is omitted. Accordingly, the pro forma effect of DSSG stock options is not representative of what the effect will be in future years.

As SFAS No. 123 is applicable only to options granted subsequent to March 31, 1995, its pro forma effect will not be fully reflected until fiscal year 2001.

Note 9 Common Stock and Stockholder Rights Agreement

The number of authorized shares of common stock is 1,600,000,000, of which 1,000,000,000 shares are authorized for DSSG common stock and 600,000,000 shares are authorized for HDDG common stock. The number of authorized shares of preferred stock is 20,000,000.

The Company has a stockholder rights agreement (the "Rights Plan") that provides existing stockholders with the right to purchase preferred stock in the event of certain changes in Quantum's ownership. Specifically, existing DSSG stockholders will have the right to purchase one one-thousandth of a share of Series B Junior Participating Preferred Stock for each share of DSSG common stock held, or, under certain circumstances, shares of DSSG common stock with a market value twice the exercise price of such right and existing HDDG stockholders will have the right to purchase one one-thousandth of a share of Series C Junior Participating Preferred Stock for each share of HDDG common stock held or, under certain circumstances, shares of HDDG common stock with a market value twice the exercise price of such right. The purchase price in either case is

determined by the board of directors, subject to adjustment. Subject to certain exceptions, these rights may be exercised the tenth day after any person or group becomes the beneficial owner (or makes an offer that would result in such beneficial ownership) of 20% or more of the outstanding DSSG common stock or HDDG common stock. If such change in beneficial ownership is combined with a merger of Quantum or a sale of more than 50% of the assets of Quantum, then the existing stockholders have the right to purchase, for the exercise price, a number of shares of common stock in the surviving entity having a market value of twice the exercise price of such right. The Rights Plan may serve as a deterrent to takeover tactics that are not in the best interests of stockholders. There are 1,600,000 preferred shares reserved for issuance under the Rights Plan.

Note 10 Earnings Per Share

As a result of the recapitalization, net income per share for DSSG has been calculated based on the group's net income from August 4, 1999 through March 31, 2000. It was not calculated on a group basis for periods prior to the recapitalization because DSSG stock was not part of Quantum's capital structure at that time.

The following table sets forth the computation of basic and diluted net income per share for DSSG after the recapitalization date:

<TABLE>
<CAPTION>
Period from
August 4, 1999,

	to March 31, 2000 (In thousands, except per share data)
Numerator:	
Numerator for basic and diluted net income per share--income available to common stockholders	$85,586
Denominator:	
Denominator for basic net income per share--weighted average shares	162,023
Effect of dilutive securities:	
Weighted average options outstanding	5,711
Denominator for diluted net income per share--adjusted weighted average shares	167,734
Basic net income per share	$ 0.53
Diluted net income per share	$ 0.51

The computation of diluted net income per share for DSSG in the period August 4, 1999 through March 31, 2000, excluded the effect of the 7% convertible subordinated notes issued in July 1997, which are convertible into 6,206,152 shares of DSSG common stock, or 21.587 shares per $1,000 note, because the effect would have been antidilutive.

Note 11 Savings and Investment Plan

Substantially all of the regular domestic employees are eligible to make contributions to Quantum's 401(k) savings and investment plan. Quantum matches a percentage of the employees' contributions and may also make additional discretionary contributions to the plan. Quantum contributions were $6 million, $7 million and $9 million in fiscal years 1998, 1999 and 2000, respectively.

Note 12 Income Taxes

The DLT & Storage Systems group income tax provision consists of the following:

	Year Ended March 31, 1998	1999	2000
	(In thousands)		
Federal:			
Current	$125,930	$110,509	$126,793
Deferred	(8,634)	5,710	(25,050)
	117,296	116,219	101,743
State:			
Current	28,404	27,430	24,236
Deferred	(2,705)	(2,322)	(4,242)
	25,699	25,108	19,994
Income tax provision	$142,995	$141,327	$121,737

The tax benefits associated with nonqualified stock options, disqualifying dispositions of incentive stock options, and employee stock purchase plan shares reduced taxes currently payable as shown above by $14 million, $11 million, and $10 million in fiscal years 1998, 1999 and 2000, respectively. Such benefits are credited to group equity when realized.

The DLT & Storage Systems group's income tax provision differs from the amount computed by applying the federal statutory rate or 35% to income before income taxes as follows:

<TABLE>
<CAPTION>

	Year Ended March 31,		
	1998	1999	2000
	(In thousands)		
<S>	<C>	<C>	<C>
Tax at federal statutory rate.................	$128,329	$ 92,511	$ 93,570
State income tax, net of federal benefit......	16,705	16,320	12,996
Research and development credit..............	(1,690)	(634)	(2,109)
Acquired in-process research and development..	--	31,150	12,950
Goodwill amortization........................	--	1,609	4,075
Other items..................................	(349)	371	255
	$142,995	$141,327	$121,737

</TABLE>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of deferred tax assets and liabilities are as follows:

<TABLE>
<CAPTION>

	Year Ended March 31,	
	1999	2000
	(In thousands)	
<S>	<C>	<C>
Deferred tax assets:		
Inventory valuation methods...........................	$16,093	$15,283
Accrued warranty expense..............................	5,289	16,193
Allowance for doubtful accounts.......................	946	761
Distribution reserves.................................	3,578	3,206
Special charges.......................................	--	8,725
Acquired net operating loss and credit carryforwards...	--	19,089
Other accruals and reserves not currently deductible for tax purposes....................................	10,527	12,969
Depreciation methods..................................	5,730	8,034
Amortization methods..................................	1,241	1,122
	43,404	85,382
Deferred tax liabilities:		
Acquired intangibles..................................	(33,602)	(40,821)
Other...	(1,563)	(3,470)
	(35,165)	(44,291)
Net deferred tax asset..............................	$ 8,239	$41,091

</TABLE>

Quantum's federal income tax returns have been examined by the Internal Revenue Service ("IRS") for all years through 1993. All issues have been resolved with no material effect, and the IRS has closed those years. Quantum's federal income tax returns for the years 1994-1996 are presently under examination by the IRS. Management believes sufficient accruals have been provided in prior years for any adjustments that may result for the years under examination.

As of March 31, 2000, DSSG has acquired net operating loss carryforwards of $42 million and credit carryforwards of $4 million. These carryforwards expire in varying amounts between fiscal years 2005 and 2018.

Note 13 Commitments

Quantum leases certain facilities for DSSG's use under non-cancelable operating lease agreements for periods of up to 15 years. Some of the leases have renewal options ranging from one to ten years and contain provisions for maintenance, taxes, or insurance.

DSSG's rent expense was $6 million, $10 million, and $11 million for the fiscal years ended March 31, 1998, 1999, and 2000, respectively.

Future minimum lease payments under operating leases are as follows:

<TABLE>
<CAPTION>

<S>	(In thousands) <C>
Year ended March 31,	
2001	$12,655
2002	12,459
2003	8,634
2004	5,245
2005	3,440
Thereafter	18,415
Total future minimum lease payments	$60,848

</TABLE>

DSSG is contingently liable, under residual value guarantees, for approximately $63 million for one of its current facility leases.

Note 14 Business and Geographic Information

Two customers accounted for 10% or more of the DLT & Storage System group's combined revenue in fiscal years 1998, 1999 and 2000. Revenue from one customer represented $433 million, $329 million and $283 million of the group's combined revenue in the respective periods. Revenue from the other customer represented $133 million, $171 million and $183 million of the group's combined revenue in the respective periods.

Product Information

Revenue for the DLT & Storage Systems group is comprised of the following:

<TABLE>
<CAPTION>

	Year Ended March 31,		
	1998	1999	2000
	(In millions)		
<S>	<C>	<C>	<C>
DLTtape & Storage Systems group:			
DLTtape drives	$ 784	$ 872	$ 858
DLTtape media	284	195	147
DLTtape royalties	27	122	187
Storage systems	95	154	323
Intra-group elimination	--	(40)	(96)
Total	$1,190	$1,303	$1,419

</TABLE>

Intra-group elimination represents intra-group sales of DLTtape drives incorporated into the DLT & Storage Systems group's tape libraries.

Geographic Information

Revenue and long-lived assets by region are as follows (revenue is attributed to regions based on the location of customers):

<TABLE>
<CAPTION>

	Year Ended March 31,		
	1998	1999	2000

	Revenue	Long-Lived Assets	Revenue	Long-Lived Assets	Revenue	Long-Lived Assets
	(In millions)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
United States......	$ 934	$71	$ 922	$291	$ 915	$322
United Kingdom.....	149	--	188	--	117	--
Rest of Europe.....	83	--	134	1	259	4
Asia Pacific.......	24	1	59	1	126	--
Latin America......	--	--	--	--	2	--
Total...........	$1,190	$72	$1,303	$293	$1,419	$326

</TABLE>

Note 15 Unaudited Quarterly Combined Financial Data

<TABLE>
<CAPTION>

	Year Ended March 31, 2000			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(In thousands, except per share data)			
<S>	<C>	<C>	<C>	<C>
Revenue................................	$330,744	$357,098	$365,780	$365,249
Gross profit...........................	151,650	170,206	164,088	162,946
Net income.............................	51,465	21,060	50,790	22,299
Net income per share:				
Basic................................	NA	0.08	0.31	0.14
Diluted..............................	NA	0.07	0.30	0.14
Pro forma net income per share:				
Basic................................	0.31	0.13	NA	NA
Diluted..............................	0.30	0.12	NA	NA

<CAPTION>

	Year Ended March 31, 1999			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(In thousands, except per share data)			
<S>	<C>	<C>	<C>	<C>
Revenue................................	$255,702	$290,458	$366,495	$390,081
Gross profit...........................	113,674	131,675	161,301	173,269
Net income (loss)......................	43,565	52,143	(30,584)	57,867
Pro forma net income (loss) per share:				
Basic................................	0.27	0.34	(0.18)	0.35
Diluted..............................	0.26	0.33	(0.18)	0.33

</TABLE>

- --------
NA = Not applicable

Pro forma net income (loss) per share for the DLT & Storage Systems group assumes the recapitalization occurred at the beginning of the earliest period presented.

The results of operations for the fourth quarter of fiscal year 2000 included the effect of a $40 million special charge associated with the DLT & Storage Systems group's strategy to reduce overhead expenses and product cost including the transfer of volume manufacturing to Penang, Malaysia.

The results of operations for the second quarter of fiscal year 2000 included the effect of a $37 million charge related to purchased in-process research and development related to the acquisition of Meridian.

The results of operations for the third quarter of fiscal year 1999 included the effect of an $89 million charge related to purchased in-process research and development related to the acquisition of ATL.

Note 16 Subsequent Event (Unaudited)

In April 2000, both Quantum and ATL canceled their existing senior credit facilities and Quantum entered into two new unsecured senior credit facilities, each providing a $187.5 million revolving credit line and expiring in April 2001 and April 2003, respectively. At the option of Quantum, borrowings under the revolving credit lines will bear interest at either the London interbank offered rate or a base rate, plus a margin determined by a leverage ratio with option periods of one to six months.

DLT & STORAGE SYSTEMS GROUP

SCHEDULE II

COMBINED VALUATION AND QUALIFYING ACCOUNTS

Classification (In thousands)	Balance at beginning of period	Additions (reductions) charged to expense	Deductions(i)	Balance at end of period
Allowance for doubtful accounts year ended:				
March 31, 1998...........	$1,698	$1,970	$(1,082)	$2,586
March 31, 1999...........	$2,586	$2,709	$(2,788)	$2,507
March 31, 2000...........	$2,507	$1,297	$ (312)	$3,492

- --------
(i) Uncollectible accounts written off, net of recoveries.

ANNEX III

THE HARD DISK DRIVE GROUP SELECTED COMBINED FINANCIAL INFORMATION

This summary of combined financial information of the Hard Disk Drive group ("HDDG") for fiscal years 1996 to 2000 should be read along with HDDG's audited combined financial statements contained in this Annual Report on Form 10-K. The summarized financial information, other than the statement of operations data for fiscal years 1996 and 1997 and the balance sheet data at March 31, 1996, 1997 and 1998, was taken from these financial statements.

A number of items affect the comparability of this information:

- The results of operations for fiscal year 2000 include the effect of a $59.4 million special charge, of which $57.1 million is included in cost of revenue and $2.3 million is included in operating expenses, associated with HDDG's streamlining of its logistics model, change in customer service strategy and consolidation of certain product development programs.

- Through May 1997, HDDG combined the results of a recording heads business acquired from Digital Equipment in October 1994. These operations generated operating losses of $70 million, $110 million and $9 million in fiscal years 1996 through 1998. In May 1997, Quantum Corporation ("Quantum") sold a 51% interest in these operations to Matsushita-Kotobuki Electronics Industries, Ltd. ("MKE"). Subsequent losses of this joint venture using the equity method of accounting were $66 million in fiscal year 1998 and $41 million in the first half of fiscal year 1999. In October 1998, Quantum and MKE agreed to dissolve the joint venture, and, as a result, HDDG recorded an additional $101 million loss from the investment in the third quarter of fiscal year 1999.

- The results of operations for fiscal year 1998 include the effect of a $103 million special charge, primarily for inventory write-offs and losses on purchase commitments, related to HDDG's high-end hard disk drive products.

- The results of operations for the fiscal year 1996 include the effect of a $209 million charge related to the transition of HDDG's high-end products to MKE.

HDDG currently has two primary product lines; desktop hard disk drives and high-end hard disk drives. HDDG has two separate business units that support these two product lines. HDDG's recording heads operation was transferred to MKE and used in the manufacture of hard disk drives for HDDG. The value at which the recording heads were transferred was recorded as an offset to cost of sales.

Pro forma net income (loss) per share for HDDG assumes the recapitalization occurred at the beginning of the earliest period presented.

<TABLE>
<CAPTION>

	At or For the Year Ended March 31,				
	1996	1997	1998	1999	2000
	(In thousands, except per share amounts)				
<S>	<C>	<C>	<C>	<C>	<C>
Statement of Operations Data					
Business unit:					
Desktop					
Revenue	$3,349,735	$4,004,828	$3,981,614	$3,079,437	$2,784,808
Gross profit	511,390	565,681	453,278	232,036	129,429
Unit operating profit (loss)	290,767	300,287	184,331	(49,132)	(154,963)
High-end					
Revenue	$ 737,426	$ 586,616	$ 633,821	$ 519,883	$ 526,771
Gross profit (loss)	(73,974)	(10,721)	(80,790)	59,383	100,641
Unit operating loss	(416,620)	(154,184)	(250,136)	(83,323)	(35,961)
Recording heads					
Unit operating loss	(69,967)	(109,632)	(8,592)	--	--
Loss from investee	--	--	(66,060)	(142,050)	--
Combined group					
Revenue	$4,087,161	$4,591,444	$4,615,435	$3,599,320	$3,311,579
Gross profit	415,807	498,402	373,307	291,419	230,070
Research and development expenses	214,148	261,293	258,916	253,893	242,383
Sales and marketing, general and administrative expenses	188,357	200,638	188,788	169,981	176,273
Restructuring/special charge	209,122	--	--	--	2,338
Income (loss) from operations	(195,820)	36,471	(74,397)	(132,455)	(190,924)
Net income (loss)	$ (125,429)	$ 41,055	$ (52,858)	$ (152,526)	$ (104,770)
Pro forma net income (loss) per share:					
Basic	$ (2.43)	$ 0.70	$ (0.78)	$ (1.90)	$ (1.26)
Diluted	$ (2.43)	$ 0.58	$ (0.78)	$ (1.90)	$ (1.26)
Balance Sheet Data					
Property, plant and equipment, net	$ 333,976	$ 368,092	$ 227,760	$ 198,806	$ 158,548
Total assets	1,740,949	1,721,402	1,646,340	1,469,953	1,478,048
Total long-term debt, convertible debt and redeemable preferred stock	288,008	140,969	109,161	114,820	108,446

</TABLE>

HARD DISK DRIVE GROUP

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Fiscal Year 2000 Compared With Fiscal Year 1999

Revenue. Revenue in fiscal year 2000 was $3.3 billion, compared to $3.6 billion in fiscal year 1999, a decrease of 8%. The decrease in revenue reflected lower revenue from sales of desktop hard disk drives.

. Desktop hard disk drive revenue in fiscal year 2000 was $2.8 billion, compared to $3.1 billion in fiscal year 1999. Shipments of desktop hard disk drives increased to a record high in fiscal year 2000. However, lower average unit prices resulted in reduced desktop hard disk drive revenue. The increase in shipments reflected increased demand, particularly from computer equipment manufacturers, and a strong desktop PC market. The decline in average unit prices reflected intense competitive pricing pressures, especially in the first two quarters of fiscal year 2000.

. High-end hard disk drive revenue in fiscal year 2000 was $527 million, compared to $520 million in fiscal year 1999. Shipments of high-end hard disk drives also increased to a record high in fiscal year 2000 as HDDG completed a transition to new high-end products. However, continued pricing pressures in the high-end market resulted in lower average unit prices and only a moderate increase in revenue.

Sales to the top five customers in fiscal year 2000 represented 50% of revenue, compared to 47% of revenue in fiscal year 1999. These amounts reflected a retroactive combination of sales to Ingram Micro and Electronic Resources as a result of the completion of their merger in July 1999 as well as a retroactive combination of sales to Compaq and Digital Equipment as a result of their merger in June 1998. Sales to Ingram Micro were 13% of revenue in fiscal year 2000, compared to 10% of revenue in fiscal year 1999, including sales to Electronic Resources. Sales to Hewlett-Packard were 12% of revenue in fiscal year 2000, compared to 14% of revenue in fiscal year 1999. Sales to Compaq were less than 10% of revenue in fiscal year 2000, compared to 10% of revenue in fiscal year 1999, including sales to Digital Equipment.

Sales to computer equipment manufacturers and distribution channel customers were 60% and 40% of revenue, respectively, in both fiscal years 2000 and 1999.

Gross Margin Rate. The gross margin rate in fiscal year 2000 was 6.9%, compared to 8.1% in fiscal year 1999. The gross margin rate in fiscal year 2000 reflected the impact of a $59.4 million special charge, of which $57.1 million was included in cost of revenue. The special charge was related to HDDG's streamlining of the logistics model, change in customer service strategy and consolidation of certain product development programs. Excluding the impact of the charge, the gross margin rate was 8.7% in fiscal year 2000.

- The desktop gross margin rate in fiscal year 2000 was 4.6%, compared to 7.5% in fiscal year 1999. Excluding the desktop portion of the special charge of $51.4 million, the gross margin rate was 6.5% in fiscal year 2000. The decrease in the gross margin rate reflected intense competitive pricing pressures, particularly in the first two quarters of fiscal year 2000. The transition to new lower cost, higher margin products and cost reductions associated with the special charge in the second half of fiscal year 2000 partially offset the gross margin decline.

- The high-end gross margin rate for fiscal year 2000 was 19.1%, compared to 11.4% in year fiscal 1999. Excluding the high-end portion of the special charge of $5.7 million, the gross margin rate was 20.2% in fiscal year 2000. The increase in the gross margin rate reflected the transition to new, higher margin products.

Research and Development Expenses. Research and development expenses in fiscal year 2000, were $242 million, or 7.3% of revenue, compared to $254 million, or 7.1% of revenue, in fiscal year 1999. The decrease in research and development expenses reflected expense reductions in the hard disk drive business associated with the special charge taken in the second quarter of fiscal year 2000.

Sales and Marketing Expenses. Sales and marketing expenses in fiscal year 2000, were $110 million, or 3.3% of revenue, compared to $114 million, or 3.2% of revenue in fiscal year 1999. The decrease in sales and marketing expenses reflected lower commissions as a result of the reduced level of revenue.

General and Administrative Expenses. General and administrative expenses in fiscal year 2000, were $66 million, or 2.0% of revenue, compared to $56 million, or 1.5% of revenue, in fiscal year 1999. The increase in general and administrative expenses reflected an increase in the provision for bad debt due to the bankruptcy of a distributor in fiscal year 2000 and implementation of a new quality program at the beginning of fiscal year 2000.

Special Charge. During the second quarter of fiscal year 2000, HDDG recorded a special charge of $59.4 million, of which $57.1 million is included in cost of revenue and $2.3 million is included in operating expenses. The charge reflected HDDG's strategy to modify the hard disk drive business to more closely align product development and the business's operating model with the requirements of the rapidly growing low-cost PC market. The special charge was associated primarily with the streamlining of HDDG's logistics model in order to create a faster and more flexible fulfillment system, changes in the customer service strategy and consolidation of certain product development programs.

The special charge consisted of $26.4 million related to facilities costs, $13.2 million in asset write-offs related to the streamlining of the global logistics model and change in customer service strategy, $7.8 million in severance and benefits for terminated employees, and approximately $12 million in other costs associated with the plan.

Subsequent to the end of the second quarter of fiscal year 2000, HDDG revised its estimate of costs required to implement the restructuring plan. HDDG currently estimates that severance and benefits, inventory and other costs, which include the disposition of additional capital assets, will be more than previously estimated as a result of changes in the customer service strategy. HDDG also estimates that costs associated with vacating leased facilities will be less than previously estimated as a result of vacating a major facility earlier than previously expected. Accordingly, HDDG has reallocated amounts between these categories.

Upon full implementation of the plan, HDDG expects to realize more than $100 million in cost savings per year, beginning in fiscal year 2001. The majority of the savings are expected in cost of revenue as a result of a more efficient distribution system and reduced customer service costs, with the remaining savings in research and development, as a result of the consolidation of product development programs. As compared to fiscal year 2000, HDDG expects operating expenses to be relatively flat in fiscal year 2001, with increased investments in disk drive and other storage products, primarily reflected in research and development, offsetting the cost savings resulting from the special charge. These expectations are forward-looking statements and actual results may differ.

Interest and Other Income/Expense. Net interest and other income and expense in fiscal year 2000 was $13 million income, compared to $10 million income in fiscal year 1999. The increase reflected increased interest income on higher cash balances.

Loss from Investee. The loss from investee reflected HDDG's 49% equity share in the operating losses of its recording heads joint venture with MKE, which was dissolved in the third quarter of fiscal year 1999. HDDG's share of the loss in the joint venture for fiscal year 1999 was $142 million. See Note 6 of the Notes to Combined Financial Statements for additional discussion of the dissolution of the recording heads joint venture.

Income Taxes. HDDG recorded benefits of $73 million and $112 million for effective benefit rates of 41% and 42% in fiscal years 2000 and 1999, respectively. The effective rate in fiscal year 2000 reflects decreased benefits from foreign earnings taxed at less than the U.S. rate.

Net Loss. HDDG reported a net loss in fiscal year 2000 of $105 million, compared to $153 million in fiscal year 1999. The decreased loss resulted from the absence of the $101 million charge related to the

dissolution of the recording heads joint venture in fiscal year 1999, partially offset by reduced gross profits in fiscal year 2000, reflecting $57 million of the special charge.

Fiscal Year 1999 Compared With Fiscal Year 1998

Revenue. Revenue in fiscal year 1999 was $3.6 billion, compared to $4.6 billion in fiscal year 1998, a decrease of 22%. The decrease in revenue reflected lower revenue from sales of both desktop and high-end hard disk drives.

- Desktop hard disk drive revenue in fiscal year 1999 was $3.1 billion, compared to $4.0 billion in fiscal year 1998. The decline in desktop hard disk drive revenue reflected a decline in average unit prices and, to a lesser extent, a lower level of shipments to leading computer equipment manufacturers. The price decline reflected intense competition, especially in the first two quarters of fiscal year 1999, and the growth of the low cost PC market, which has become a higher proportion of the overall desktop PC market.

- High-end hard disk drive revenue in fiscal year 1999 was $520 million, compared to $634 million in fiscal year 1998. Although high-end hard disk drive shipments increased in fiscal year 1999, increased competitive pricing pressures, especially in the second half of fiscal year 1999, resulted in reduced average unit prices and lower high-end hard disk drive revenue.

Sales to the top five customers represented 47% of revenue in fiscal years 1999 and 1998. These amounts reflected a retroactive combination of the sales to Ingram Micro and Electronic Resources as a result of the completion of their merger in July 1999 as well as a retroactive combination of sales to Compaq and Digital Equipment as a result of their merger in June 1998. Sales to Compaq were 10% of revenue in fiscal year 1999, compared to 12% of revenue in fiscal year 1998, including sales to Digital Equipment. Sales to Hewlett-Packard were 14% of revenue in both fiscal years 1999 and 1998. Sales to Ingram Micro were 10% of revenue in fiscal year 1999, compared to less than 10% of revenue in fiscal year 1998, including sales to Electronic Resources.

In fiscal year 1999, sales to computer equipment manufacturers and distribution channel customers were 60% and 40% of revenue, respectively, compared to 59% and 41% of revenue, respectively, in fiscal year 1998.

Gross Margin Rate. The gross margin rate in fiscal years 1999 and 1998 was 8.1%.

- The desktop gross margin rate in fiscal year 1999 was 7.5%, compared to 11.4% in fiscal year 1998.

- The high-end gross margin rate in fiscal year 1999 was 11.4%, compared to -12.7% in fiscal year 1998.

The gross margin rate in fiscal year 1998 reflected the impact of a $103 million special charge related to the transition to a new generation of high-end disk drive products, and consisted primarily of inventory write-offs and adjustments, and losses related to firm inventory purchase commitments. Excluding the special charge, the gross margin rate was 10.3% in fiscal year 1998. This 2.2 percentage point decline between fiscal year 1998 and 1999 reflected the decline in gross margins earned on desktop hard disk drives as a result of intense competitive pricing pressures in fiscal year 1999.

Research and Development Expenses. Research and development expenses in fiscal year 1999, were $254 million, or 7.1% of revenue, compared to $259 million, or 5.6% of revenue, in fiscal year 1998. The decrease in research and development expenses reflected reduced spending as a result of cost control efforts.

Sales and Marketing Expenses. Sales and marketing expenses in fiscal year 1999, were $114 million, or 3.2% of revenue, compared to $122 million, or 2.6% of revenue in fiscal year 1998. The decrease in sales and marketing expenses reflected reduced spending including lower commissions as a result of the lower level of revenue.

General and Administrative Expenses. General and administrative expenses in fiscal year 1999, were $56 million, or 1.5% of revenue, compared to $67 million, or 1.5% of revenue, in fiscal year 1998. The decrease in general and administrative expenses reflected the impact of cost control efforts.

Interest and Other Income/Expense. Net interest and other income and expense in fiscal year 1999 was $10 million income, compared to $5 million income in fiscal year 1998. The increase reflected increased interest income on higher cash balances and reduced interest expense.

Loss from Investee. HDDG's investment and operating results related to its recording heads business have resulted in significant losses. HDDG acquired a recording heads business from Digital Equipment in October 1994. In May 1997, HDDG sold a 51% majority interest in its recording heads operations to MKE, and formed a recording heads joint venture with MKE. On October 28, 1998, HDDG and MKE agreed to dissolve the recording heads joint venture. In connection with the dissolution, HDDG recorded a $101 million loss in the third quarter of fiscal year 1999. This loss included a write-off of HDDG's investment in the recording heads joint venture; a write-down of HDDG's interest in facilities in Louisville, Colorado, and Shrewsbury, Massachusetts that were occupied by the recording heads joint venture; warranty costs resulting from magneto resistive recording heads manufactured by the recording heads joint venture; and HDDG's 49% pro rata share in funding the recording heads joint venture's repayment of its obligations, primarily bank debt, accounts payable and other liabilities. See Note 6 of the Notes to Combined Financial Statements for additional discussion of the dissolution of the recording heads joint venture.

Income Taxes. HDDG recorded benefits of $112 million and $83 million for effective benefit rates of 42% and 61% in fiscal years 1999 and 1998, respectively. The 1999 effective rate reflects decreased benefits from foreign earnings taxed at less than the U.S. rate, a lower research and development credit and decreased state tax benefits. Fiscal year 1998 includes a benefit as a result of the recognition of state deferred tax assets through tax planning.

Net Loss. HDDG reported a net loss in fiscal year 1999 of $153 million, compared to $53 million in fiscal year 1998. The increased loss resulted from the $101 million charge related to the recording heads joint venture dissolution and the decrease in revenue and gross profit, partially offset by a decrease in operating costs.

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments and hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. Management does not expect SFAS No. 133 to have a material effect on HDDG's financial position or results of operations. Implementation of this standard has recently been delayed by the FASB for a 12-month period. HDDG is required to adopt SFAS 133 in fiscal year 2002.

Revenue Recognition and Financial Statements. In December 1999, the Securities and Exchange Commission ("SEC") issued SEC Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." SAB 101 summarized certain of the SEC's views in applying generally accepted accounting principles to revenue recognition in financial statements. SAB 101 will be effective for Quantum in the first quarter of fiscal year 2001. HDDG is reviewing the requirements of SAB 101 and currently believes that its revenue recognition policy is consistent with the guidance of SAB 101.

Certain Transactions Involving Stock Compensation. In March 2000, FASB issued FASB Interpretation No. 44 ("FIN 44"), "Accounting for Certain Transactions Involving Stock Compensation--an Interpretation of Accounting Principles Board ("APB") Opinion No. 25." FIN 44 clarifies the following: the definition of an employee for purposes of applying APB Opinion No. 25; the criteria for determining whether a plan qualifies as a noncompensatory plan; the accounting consequence of various modifications to the terms of the previously fixed stock options or awards; and the accounting for an exchange of stock compensation awards in a business combination. FIN 44 is effective July 1, 2000, but certain conclusions in FIN 44 cover specific events that occurred after either December 15, 1998 or January 12, 2000. Management does not expect the application of FIN 44 to have a material impact on HDDG's financial position or results of operations.

Liquidity and Capital Resources

Operating Activities. HDDG generated cash from operations of $117 million during fiscal year 2000 compared to $247 million in fiscal year 1999. Cash from operations in fiscal year 2000 primarily reflected a reduction in inventories and an increase in accounts payable. Cash from operations in fiscal year 1999 primarily reflected a reduction in accounts receivable and inventories, partially offset by a reduction in accounts payable.

Investing Activities. Investments during fiscal year 2000 were $24 million, which consisted primarily of investments in property and equipment, partially offset by net maturities of marketable securities. Investments in fiscal year 1999 totaled $35 million.

Financing Activities. At March 31, 2000, and March 31, 1999, Quantum's debt allocated to HDDG was $109 million and $115 million, respectively. Debt allocated to HDDG bears interest at a rate equal to the weighted average interest rate of Quantum's total debt, calculated on a quarterly basis. At March 31, 2000, Quantum had total debt of $326 million with an average interest rate of 7.4%. During fiscal year 2000, HDDG used cash to purchase $21 million of treasury stock as discussed below.

During fiscal year 2000, the Board of Directors authorized Quantum to repurchase up to $700 million of its common stocks in open market or private transactions. Of the total repurchase authorization, $600 million was authorized for repurchase of either Quantum, DSSG or HDDG common stock, while $100 million was authorized for repurchase of HDDG common stock. During fiscal year 2000, DSSG repurchased 15.7 million shares of DSSG common stock and acquired 3.9 million shares of Quantum common stock for $304 million, and HDDG repurchased 3.5 million shares of HDDG common stock for $21 million. Quantum has utilized equity instrument contracts, including call and put options, as part of its stock repurchase program.

Quantum filed a registration statement which became effective on July 24, 1997, pursuant to which Quantum may issue debt or equity securities, in one or more series or issuances, limited to $450 million aggregate public offering price. Under the registration statement, in July 1997, Quantum issued $288 million of 7% convertible subordinated notes. The notes mature on August 1, 2004, and are convertible at the option of the holder at any time prior to maturity, unless previously redeemed, into shares of DSSG common stock and HDDG common stock. The notes are convertible into 6,206,152 shares of DSSG common stock, or 21.587 shares per $1,000 note, and 3,103,076 shares of HDDG common stock, or 10.793 shares per $1,000 note. Quantum has the option to redeem the notes on or after August 1, 1999 and prior to August 1, 2001, under certain conditions related to the price of Quantum's common stocks. Subsequent to August 1, 2001, Quantum may redeem the notes at any time. In the event of certain changes involving all or substantially all of Quantum's common stocks, the holder would have the option to redeem the notes. Redemption prices range from 107% of the principal to 100% at maturity. The notes are unsecured obligations subordinated in right of payment to all of Quantum's existing and future senior indebtedness.

In June 1997, Quantum entered into an unsecured senior credit facility that provides a $500 million revolving credit line and expires in June 2000. At Quantum's option, borrowings under the revolving credit line bear interest at either the London interbank offered rate plus a margin determined by our total funded debt ratio, or at a base rate, with option periods of one to six months. At March 31, 2000, there was no outstanding balance drawn on this line.

In September 1996, Quantum entered into a $42 million mortgage financing related to certain domestic facilities at an effective interest rate of approximately 10.1%. The term of the mortgage is 10 years. Quantum is required to make monthly payments based on a 20-year amortization period, and a balloon payment at the end of the 10-year term.

In April 2000, both Quantum and ATL canceled their existing senior credit facilities and Quantum entered into two new unsecured senior credit facilities, each providing a $187.5 million revolving credit line and expiring in April 2001 and April 2003, respectively. At Quantum's option, borrowings under the revolving credit lines will bear interest at either the London interbank offered rate or a base rate, plus a margin determined by a leverage ratio with option periods of one to six months.

HDDG expects to spend approximately $55 million in fiscal year 2001 for capital equipment and leasehold improvements. These capital expenditures will support the development and introduction of new disk drive products.

HDDG expects its cash flow from operations, together with available financing sources, will be sufficient to meet all currently planned expenditures and sustain operations for the next 12 months. However, this belief assumes that operating results and cash flow from operations will meet HDDG's expectations.

In the future, Quantum may seek to raise cash through the issuance of debt or equity securities. There can be no assurance that such financing would be available on terms favorable to Quantum if at all.

Financial Market Risks

HDDG is exposed to a variety of risks, including changes in interest rates, foreign currency fluctuations and marketable equity security prices. To manage the volatility relating to these exposures, HDDG enters into various derivative transactions pursuant to HDDG's policies to hedge against known or forecasted market exposures.

Changes in interest rates affect interest income earned on HDDG's cash equivalents and short-term investments, and interest expense on short-term and long-term borrowings. HDDG does not enter into derivative transactions related to its cash, cash equivalents or short-term investments, nor existing or anticipated liabilities.

As a multinational corporation, HDDG is exposed to changes in foreign exchange rates. These exposures may change over time and could have a material adverse impact to our financial results.

HDDG utilized foreign currency forward contracts to manage the risk of exchange rate fluctuations. In all cases, HDDG uses these derivative instruments to reduce its foreign exchange risk by essentially creating offsetting market exposures. The instruments held by HDDG are not leveraged and are not held for trading or speculative purposes.

HDDG uses forward exchange contracts to hedge its net asset or net liability position, which primarily consists of inter-company balances, foreign tax liabilities and non-functional currency denominated receivables. The hedging activity is intended to manage the effects of foreign currency remeasurement arising from certain assets and liabilities denominated in foreign currency. The success of the hedging program depends on forecasts of transaction activity in the various currencies. To the extent that these forecasts are overstated or understated during periods of currency volatility, HDDG could experience unanticipated currency gains or losses.

HDDG is exposed to equity price risk on its investment in TiVo, Inc. common stock. HDDG does not attempt to reduce or eliminate its market exposure on this security. HDDG entered into a strategic alliance with TiVo in fiscal year 1999 to supply hard disk drives utilizing Quantum's QuickView technology for integration into TiVo's Personal Video Recorder. At March 31, 2000, the fair market value of HDDG's investment was approximately $30 million. As TiVo is a relatively new company and has introduced a new product in the consumer electronics market, HDDG does not believe it is possible to reasonably estimate any future price movement of TiVo common stock.

Trends and Uncertainties Relating to the Hard Disk Drive Group

Holders of HDDG stock remain stockholders of one company and, therefore, financial effects on DSSG could adversely affect HDDG

Holders of HDDG stock and DSSG stock are stockholders of a single company. HDDG and DSSG are not separate legal entities. As a result, stockholders will continue to be subject to all of the risks of an investment in Quantum and all of its businesses, assets and liabilities. The issuance of HDDG stock and DSSG stock and the allocation of assets and liabilities and stockholders' equity between HDDG and DSSG did not result in a distribution or spin-off to stockholders of any Quantum assets or liabilities and did not affect ownership of our assets or responsibility for our liabilities or those of our subsidiaries. The assets we attribute to one group could

be subject to the liabilities of the other group, whether such liabilities arise from lawsuits, contracts or indebtedness that we attribute to the other group. If we are unable to satisfy one group's liabilities out of the assets we attribute to it, we may be required to satisfy those liabilities with assets we attribute to the other group.

Financial effects from one group that affect our consolidated results of operations or financial condition could, if significant, affect the results of operations or financial condition of the other group and the market price of the tracking stock relating to the other group. In addition, net losses of either group and dividends and distributions on, or repurchases of, either class of tracking stock or repurchases of preferred stock at a price per share greater than par value will reduce the funds we can pay on each class of tracking stock under Delaware law. For these reasons, you should read our consolidated financial information with the financial information we provide for each group.

HDDG's operating results depend on new product introductions which may not be successful

To compete effectively, HDDG must frequently introduce new hard disk drives. HDDG cannot assure you that:

- it will successfully or timely develop or market any new hard disk drives in response to technological changes or evolving industry standards;

- it will not experience technical or other difficulties that could delay or prevent the successful development, introduction or marketing of new hard disk drives;

- it will successfully qualify new hard disk drives, particularly high-end disk drives, with HDDG's customers by meeting customer performance and quality specifications. A successful and timely customer qualification must occur before customers will place large product orders;

- it will quickly achieve high volume production of new hard disk drives; or

- its new products will achieve market acceptance.

These risks are magnified because HDDG expects technological changes, short product life cycles and intense competitive pressures to result in declining sales and gross margins on its current generation products.

HDDG's quarterly operating results could fluctuate significantly and past quarterly operating results should not be used to predict future performance

HDDG's quarterly operating results have fluctuated significantly in the past and may fluctuate significantly in the future. As a result, you should not use HDDG's past quarterly operating results to predict future performance. Quarterly operating results could be adversely affected by:

- the ability of MKE, HDDG's exclusive manufacturer, to quickly achieve high volume production of HDDG's hard disk drives;

- customers canceling, deferring or rescheduling significant orders;

- returns by customers of unsold hard disk drives for credit;

- decline in PC demand; or

- failure to complete shipments in the last month of a quarter during which a substantial portion of HDDG's products are typically shipped.

HDDG's prices and margins are subject to declines due to unpredictable end-user demand and oversupply of hard disk drives

End-user demand for the computer systems which contain HDDG's hard disk drives has historically been subject to rapid and unpredictable fluctuations. As a result, the hard disk drive market tends to experience periods

of excess capacity which typically lead to intense price competition. If intense price competition occurs, HDDG may be forced to lower prices sooner and more than expected and transition to new products sooner than expected. For example, in fiscal year 1999 and the second half of fiscal year 1998, as a result of excess inventory in the desktop hard disk drive market, aggressive pricing and corresponding margin reductions materially adversely impacted HDDG's operating results. HDDG experienced similar conditions in the high-end hard disk drive market during most of fiscal years 1998 and 1999.

Growth of the lower priced PC markets is putting downward pressure on HDDG's desktop hard disk drive prices

The growth of the lower priced PC market has led to a shift toward lower priced desktop hard disk drives. HDDG expects the trend toward lower prices on hard disk drives to continue. If HDDG is unable to lower the cost of its desktop hard disk drives accordingly, operating results could be materially adversely impacted.

Intense competition in the desktop and high-end hard disk drive market could adversely impact HDDG's operating results

In the desktop hard disk drive market, HDDG's primary competitors are Fujitsu Limited, IBM, Maxtor Corporation, Samsung Electronics Co., Ltd., Seagate and Western Digital Corporation. The desktop hard disk drive market is characterized by more competitiveness than that seen in the computer industry in general. HDDG's operating results and competitive position could be negatively impacted by the introduction of competitive products with higher performance, higher reliability and/or lower cost than HDDG's products. For example, in the first half of fiscal year 2000, certain competitors reduced prices for their products significantly. As a result, HDDG's operating results were materially adversely impacted.

In the high-end hard disk drive market, HDDG's primary competitors are Fujitsu, Hitachi, IBM and Seagate. Currently, Seagate and IBM have the largest market share for high-end hard disk drives. Intense technology and pricing competition has led to losses on HDDG's high-end hard disk drive products over the past 12 quarters.

A majority of sales come from a few customers that have no minimum or long-term purchase commitments

HDDG's sales are concentrated with a few customers. Customers are not obligated to purchase any minimum product volume and HDDG's customer relationships are terminable at will. The loss of, or a significant change in demand from, one or more key HDDG customers could have a material adverse impact on HDDG's operating results.

Because HDDG depends on MKE for the manufacture of all hard disk drives, adverse material developments in this critical manufacturing relationship would adversely impact HDDG's operating results

HDDG's relationship with MKE is critical to the Hard Disk Drive group's operating results and overall business performance. HDDG's dependence on MKE includes the following principal risks:

- Quality and Delivery. HDDG relies on MKE to quickly achieve volume production of new hard disk drives at a competitive cost, to meet HDDG's stringent quality requirements and to respond quickly to changing product delivery schedules. Failure of MKE to satisfy these requirements could have a material adverse impact on HDDG's operating results.

- Purchase Forecasts. MKE's production schedule is based on HDDG's forecasts of its purchase requirements, and HDDG has limited rights to modify short-term purchase orders. The failure of HDDG to accurately forecast its requirements or successfully adjust MKE's production schedule could lead to inventory shortages or surpluses.

- Pricing. HDDG negotiates pricing arrangements with MKE on a quarterly basis. Any failure to reach competitive pricing arrangements would have a material adverse impact on HDDG's operating results.

- Capital Commitment. HDDG's future growth will require that MKE continue to devote substantial financial resources to property, plant and equipment to support the manufacture of HDDG's products.

- Manufacturing Capacity. If MKE is unable or unwilling to meet HDDG's manufacturing requirements, an alternative manufacturing source may not be available in the near-term.

MKE depends on a limited number of component and sub-assembly suppliers and component shortages and quality problems or delays from these suppliers could result in increased costs and reduced sales

MKE depends on a limited number of qualified suppliers for components and sub-assemblies, including recording heads, media and integrated circuits, all of which are essential to the manufacture of HDDG's hard disk drives. MKE may qualify only a single source for certain components and sub-assemblies, which can magnify the risk of component shortages. Component shortages have constrained HDDG's sales growth in the past, and HDDG believes that it will periodically experience component shortages. If MKE experiences quality problems with its component suppliers, HDDG's hard disk drive shipments could be significantly delayed or costs could be significantly increased.

Unexpected warranty costs could have a material adverse impact on operating results

HDDG warrants its products against defects for a period of one to five years. Actual warranty costs could have a material adverse impact on HDDG's operating results if the actual unit failure rate or unit repair costs are greater than those for which HDDG established a warranty accrual.

Third party infringement claims could result in substantial liability and significant costs

From time to time, third parties allege HDDG's infringement of and need for a license under their patented or other proprietary technology. For example, in August 1998 Quantum was named as one of several defendants in a patent infringement lawsuit. The plaintiff, Papst Licensing GmbH, owns at least 24 U.S. patents, which it asserts that HDDG has infringed. Recently, Discovision Associates has brought patents to HDDG's attention. Adverse resolution of the Papst or any other third party infringement claim could subject HDDG to substantial liabilities and require it to refrain from manufacturing and selling certain products. HDDG cannot assure you that licenses to any technology owned by Papst or any other third party alleging infringement could be obtained on commercially reasonable terms, or at all. In addition, the costs of litigation could be substantial, regardless of the outcome.

HDDG's foreign manufacturing costs could be adversely impacted by fluctuations in currency exchange rates

MKE generally purchases manufacturing components at prices denominated in U.S. dollars. However, significant increases in currency exchange rates against the U.S. dollar could increase MKE's manufacturing costs and could result in higher product prices and/or declining margins for HDDG's products.

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

To the Board of Directors and Stockholders of
Quantum Corporation

We have audited the accompanying combined balance sheets of the Hard Disk Drive group (as described in Note 1) of Quantum Corporation as of March 31,1999 and 2000 and the related combined statements of operations, group equity, and cash flows for each of the three years in the period ended March 31, 2000. Our audits also included the financial statement schedule listed in the index at Item 14a. These financial statements and schedule are the responsibility of Quantum Corporation's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits. We did not audit the consolidated financial statements of MKE-Quantum Components LLC ("MKQC"), a forty-nine percent equity investee of the Hard Disk Drive group, which statements reflect a net loss of $134.8 million for the period from May 16, 1997 (inception) through March 31, 1998. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to data included for MKQC, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the 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 and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Hard Disk Drive group at March 31, 1999 and 2000 and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2000, in conformity with accounting principles generally accepted in the United States. Also in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As more fully described in Note 1 to these financial statements, the Hard Disk Drive group is a business group of Quantum Corporation; accordingly, the combined financial statements of the Hard Disk Drive group should be read in conjunction with the audited consolidated financial statements of Quantum Corporation.

/s/ Ernst & Young LLP

San Jose, California
April 24, 2000

HARD DISK DRIVE GROUP

COMBINED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

<TABLE>
<CAPTION>

	Year Ended March 31,		
	1998	1999	2000
<S>	<C>	<C>	<C>
Revenue	$4,615,435	$3,599,320	$3,311,579
Cost of revenue--on net sales	4,242,128	3,307,901	3,024,441
Cost of revenue--special charge	--	--	57,068
Gross profit	373,307	291,419	230,070
Operating expenses:			
Research and development	258,916	253,893	242,383
Sales and marketing	121,787	114,389	110,132
General and administrative	67,001	55,592	66,141
Special charge	--	--	2,338
	447,704	423,874	420,994
Loss from operations	(74,397)	(132,455)	(190,924)
Interest income and other, net	15,536	19,161	22,150
Interest expense	(10,918)	(9,159)	(9,407)
Loss from investee	(66,060)	(142,050)	--
Loss before income taxes	(135,839)	(264,503)	(178,181)
Income tax benefit	(82,981)	(111,977)	(73,411)
Net loss	$ (52,858)	$ (152,526)	$ (104,770)
Pro forma net loss per share(1):			
Basic	$ (0.78)	$ (1.90)	$ (1.26)
Diluted	$ (0.78)	$ (1.90)	$ (1.26)
Pro forma weighted-average common shares(1):			
Basic	68,203	80,335	83,096
Diluted	68,203	80,335	83,096
Net loss for the period from August 4, 1999 to March 31, 2000			$ (27,549)
Net loss per share:			
Basic			$ (0.33)
Diluted			$ (0.33)
Weighted-average common shares:			
Basic			83,018
Diluted			83,018

</TABLE>

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(1) Pro forma net loss per share and pro forma weighted average common shares assume the recapitalization occurred at the beginning of the earliest period presented.

See accompanying notes to combined financial statements.

HARD DISK DRIVE GROUP

COMBINED BALANCE SHEETS
(In thousands)

	March 31, 1999	March 31, 2000
Assets		
Current assets:		
Cash and cash equivalents	$ 499,725	$ 581,542
Marketable securities	24,426	30,048
Accounts receivable, net of allowance for doubtful accounts of $9,623 and $19,618 respectively	392,329	395,118
Inventories	147,524	122,347
Due from the DLT & Storage Systems group	--	30,100
Deferred taxes	72,107	78,713
Other current assets	96,401	58,356
Total current assets	1,232,512	1,296,224
Property, plant, and equipment, less accumulated depreciation	198,806	158,548
Intangible assets, less accumulated amortization	5,199	1,915
Other assets	33,436	21,361
	$1,469,953	$1,478,048
Liabilities and Group Equity		
Current liabilities:		
Accounts payable	$ 342,344	$ 375,614
Accrued warranty	38,917	46,967
Accrued compensation	51,048	54,073
Income taxes payable	33,411	44,284
Accrued special charge	--	22,409
Current portion of long-term debt	341	344
Other accrued liabilities	57,841	77,596
Total current liabilities	523,902	621,287
Deferred taxes	39,985	41,758
Long-term debt	18,987	12,613
Convertible subordinated debt	95,833	95,833
Commitments and contingencies		
Group equity	791,246	706,557
	$1,469,953	$1,478,048

See accompanying notes to combined financial statements.

HARD DISK DRIVE GROUP

COMBINED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended March 31, 1998	1999	2000
Cash flows from operating activities:			
Net loss	$ (52,858)	$(152,526)	$(104,770)
Adjustments to reconcile net loss to net cash provided by operations:			
Loss from investee	66,060	124,809	--
Special charge	--	--	52,443
Depreciation	62,583	66,570	64,659
Amortization	5,372	4,458	3,912
Deferred taxes	5,338	19,516	18,734
Compensation related to stock incentive plans	1,412	1,879	2,487
Changes in assets and liabilities:			
Accounts receivable	146,961	193,519	(2,789)
Inventories	(6,402)	64,483	25,177
Accounts payable	(52,963)	(58,980)	33,270
Income taxes payable	8,624	(6,367)	10,873
Accrued warranty	(25,648)	(1,322)	8,050
Other assets and liabilities	(76,785)	(9,255)	5,010
Net cash provided by operating activities	81,694	246,784	117,056

Cash flows from investing activities:			
Purchases of marketable securities..........	(71,573)	(78,145)	(33,367)
Maturities of marketable securities.........	--	125,292	57,793
Purchases of equity securities.............	--	--	(750)
Acquisition of intangible assets...........	(9,850)	--	--
Proceeds from sale of interest in recording heads operations..........................	94,000	--	--
Investment in property and equipment........	(119,066)	(82,486)	(50,416)
Proceeds from disposition of property and equipment................................	5,962	140	--
Proceeds from repayment of note receivable..	18,000	--	3,126
Net cash used in investing activities..........................	(82,527)	(35,199)	(23,614)
Cash flows from financing activities:			
Proceeds from long-term credit facilities...	--	8,333	3,333
Inter-group proceeds for common stock issued..................................	--	15,118	2,835
Purchase of treasury stock.................	--	--	(20,932)
Principal payments on long-term credit facilities...............................	(60,326)	(2,645)	(9,704)
Proceeds from issuance of common stock, net......................................	16,787	14,094	12,843
Proceeds from issuance of convertible subordinated notes........................	95,833	--	--
Net cash provided by (used in) financing activities................	52,294	34,900	(11,625)
Increase in cash and cash equivalents.........	51,461	246,485	81,817
Cash and cash equivalents at beginning of period.....................................	201,779	253,240	499,725
Cash and cash equivalents at end of period....	$ 253,240	$ 499,725	$ 581,542
Supplemental disclosure of cash flow information:			
Conversion of debentures to common stock....	$ 80,450	$ --	$ --
Conversion of redeemable preferred stock to common stock..............................	$ 1,296	$ --	$ --
Cash paid during the year for:			
Interest................................	$ 9,677	$ 8,908	$ 8,993
Income taxes............................	$ 17,868	$ 21,864	$ 17,477

</TABLE>

See accompanying notes to combined financial statements.

HARD DISK DRIVE GROUP

COMBINED STATEMENTS OF GROUP EQUITY
(In thousands)

<TABLE>
<CAPTION>

	Other	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Group Equity
<S>	<C>	<C>	<C>	<C>
Balances at March 31, 1997......	$571,217	$ 284,052	$ --	$ 855,269
Comprehensive loss:				
Net loss......................	--	(52,858)	--	(52,858)
Other comprehensive loss--foreign currency translation adjustments..................	--	--	(1,462)	(1,462)
Comprehensive loss.............	--	--	--	(54,320)
Conversion of subordinated debentures....................	78,907	--	--	78,907
Conversion of Series B preferred shares........................	1,296	--	--	1,296
Shares issued under employee stock purchase plan............	7,159	--	--	7,159
Shares issued under employee stock option plans, net........	9,628	--	--	9,628
Compensation expense and other..	1,412	--	--	1,412

Tax benefits related to stock option plans	7,095	--	--	7,095
Balances at March 31, 1998	676,714	231,194	(1,462)	906,446
Comprehensive loss:				
Net loss	--	(152,526)	--	(152,526)
Other comprehensive income--foreign currency translation adjustments	--	--	612	612
Comprehensive loss	--	--	--	(151,914)
Shares issued under employee stock purchase plan	8,013	--	--	8,013
Shares issued under employee stock option plans, net	6,081	--	--	6,081
New shares issued for ATL acquisition	7,662	--	--	7,662
Conversion of ATL stock options	7,456	--	--	7,456
Compensation expense and other	1,879	--	--	1,879
Tax benefits related to stock option plans	5,623	--	--	5,623
Balances at March 31, 1999	713,428	78,668	(850)	791,246
Comprehensive loss:				
Net loss	--	(104,770)	--	(104,770)
Other comprehensive income:				
Foreign currency translation adjustments	--	--	(212)	--
Unrealized gain on investments, net of income taxes of $12,025	--	--	18,023	--
Other comprehensive income	--	--	17,811	17,811
Comprehensive loss	--	--	--	(86,959)
Shares issued under employee stock purchase plan	7,331	--	--	7,331
Shares issued under employee stock option plans, net	9,120	--	--	9,120
New shares issued for Meridian acquisition	825	--	--	825
Conversion of Meridian stock options	2,010	--	--	2,010
Treasury shares repurchased and retired	(20,932)	--	--	(20,932)
Compensation expense and other	2,487	--	--	2,487
Tracking stock issuance costs	(3,608)	--	--	(3,608)
Tax benefits related to stock option plans	5,037	--	--	5,037
Balances at March 31, 2000	$715,698	$ (26,102)	$16,961	$ 706,557

</TABLE>

See accompanying notes to combined financial statements.

HARD DISK DRIVE GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1 Summary of Significant Accounting Policies

Nature of Business. Quantum Corporation ("Quantum") operates its business through two separate groups: the Hard Disk Drive group ("HDDG") and the DLT & Storage Systems group ("DSSG") as described below.

HDDG designs, develops and markets a diversified product portfolio of hard disk drives to meet the storage requirements of entry-level to high-end desktop PCs in home and business environments, and high-end hard disk drives for the demanding storage needs of network servers, workstations and storage sub-systems. HDDG also designs hard disk drives for consumer electronics devices.

DSSG designs, develops, manufactures, licenses and markets DLTtape drives, DLTtape media cartridges and storage systems. DSSG's storage systems consist of DLTtape libraries, solid state storage systems, network attached storage appliances and service. DLTtape is DSSG's half-inch tape technology that is the de facto industry standard for data back-up in the mid-range server market.

Financial Statement Presentation. The combined financial statements of HDDG together with the combined financial statements of DSSG, include all of the accounts in the consolidated financial statements of Quantum. The separate group combined financial statements give effect to the accounting policies applicable with the implementation of the tracking stock proposal. The separate HDDG and DSSG financial statements have been prepared on a basis that management believes to be reasonable and appropriate and include (i) the historical balance sheets, results of operations, and cash flows of businesses that comprise each of the groups, with all significant intragroup transactions and balances eliminated, (ii) in the case of HDDG's financial statements, corporate assets and liabilities of Quantum and related transactions identified with HDDG, including allocated portions of Quantum's debt and selling, general and administrative costs, and (iii) in the case of DSSG's financial statements, corporate assets and liabilities of Quantum and related transactions identified with DSSG, including allocated portions of Quantum's debt and selling, general and administrative costs. Intergroup transactions and balances are not eliminated in the separate financial statements of HDDG or DSSG. Certain amounts in prior periods have been reclassified to conform to current presentation.

The combined financial statements of the Hard Disk Drive group provide HDDG stockholders with financial information about the Hard Disk Drive group's operations. Holders of HDDG stock and DSSG stock are Quantum stockholders and are subject to all of the risks of an investment in Quantum and all of Quantum's businesses, assets and liabilities. Quantum retains ownership and control of all of the assets and operations of each group. Financial effects arising from one group that affect Quantum's consolidated results of operations or financial condition could, if significant, affect the results of operations or financial condition of the other group and the market price of the other group's stock. Any net losses of HDDG or DSSG, and dividends or distributions on, or repurchases of DSSG stock, or repurchases of preferred stock at a price per share greater than par value, will reduce the funds of Quantum legally available for payment of dividends on HDDG stock. As a result, HDDG's combined financial statements should be read in conjunction with Quantum's consolidated financial statements and DSSG's combined financial statements.

HDDG's combined financial statements reflect the application of the management and allocation policies adopted by the Board to various corporate activities, as described below.

Financing Activities. Quantum manages most financial activities of HDDG and DSSG on a centralized basis. Such financial activities include the investment of surplus cash, the issuance and repayment of short-term and long-term debt, the issuance and repurchase of common stock, and the issuance and repurchase of any preferred stock.

At March 31, 2000, $109 million of Quantum's debt was allocated to HDDG and $218 million was allocated to DSSG. The Board has adopted the following financing policy that will affect the combined statements of HDDG and DSSG: Quantum will allocate its debt between the groups ("pooled debt") or, if Quantum so determines, in its entirety to a particular group. Quantum will allocate preferred stock, if issued, in a similar manner.

Cash allocated to one group that is used to repay pooled debt or redeem pooled preferred stock decreases such group's allocated portion of the pooled debt or preferred stock. Cash or other property allocated to one group that is transferred to the other group, if so determined by the Board, decreases the transferring group's allocated portion of the pooled debt or preferred stock and, correspondingly, increases the recipient group's allocated portion of the pooled debt or preferred stock.

Pooled debt bears interest for group financial statement purposes at a rate equal to the weighted average interest rate of the debt calculated on a quarterly basis and applied to the average pooled debt balance during the period. Preferred stock, if issued and if pooled in a manner similar to the pooled debt, may bear dividends for group financial statement purposes at a rate based on the weighted average dividend rate of the preferred stock similarly calculated and applied. Any expense related to increases in pooled debt or preferred stock is reflected in the weighted average interest or dividend rate of such pooled debt or preferred stock as a whole.

Debt for a particular financing, allocated in its entirety to one group, bears interest for group financial statement purposes at the rate determined by the Board. For preferred stock allocated in its entirety to one group the dividend cost to that group is determined in a similar manner. If the interest or dividend cost is higher than Quantum's actual cost, the other group receives a credit for an amount equal to the difference as compensation for the use of Quantum's credit capacity. Any expense related to debt or preferred stock that is allocated in its entirety to a group is allocated in whole to that group.

Cash or other property that Quantum allocated to one group that is transferred to the other group is, if so determined by the Board, accounted for either as a short-term loan or as a long-term loan. Short-term loans and, unless Quantum's board determines otherwise, long-term loans bear interest at a rate equal to the weighted average interest rate of Quantum's pooled debt. If Quantum does not have any pooled debt, the Board determines the rate of interest for such loan. The Board establishes the terms on which long-term loans between the groups is made, including interest rate if not based on Quantum's weighted average interest rate, amortization schedule, maturity and redemption terms.

Although Quantum may allocate its debt and preferred stock between groups, the debt and preferred stock remain obligations of Quantum and all stockholders of Quantum are subject to the risks associated with those obligations.

Allocation of Support Activities. HDDG is charged for specifically identified costs of certain support activities based upon HDDG's use of such activities. Where determinations based on use alone were not practical, other methods and criteria were used to provide a reasonable allocation of the cost of support activities attributable to HDDG. Such allocated support activities included certain selling and marketing, executive management, human resources, corporate finance, legal and corporate planning costs. The total of these allocations were $79 million, $70 million, and $71 million in fiscal years 1998, 1999 and 2000, respectively. It is not practicable to provide a detailed estimate of the expenses that would be recognized if HDDG were a separate entity.

Allocation of Federal and State Income Taxes. The federal income taxes of Quantum and the subsidiaries which own assets allocated between the groups are determined on a consolidated basis. Consolidated federal income tax provisions and related tax payments or refunds are allocated between the groups based principally on

the taxable income and tax credits directly attributable to each group, as if each group were a stand-alone entity. Such allocations reflect each group's contribution (whether positive or negative) to Quantum's consolidated federal taxable income and the consolidated federal tax liability and tax credit position. Tax benefits that cannot be used by the group generating those benefits but can be used on a consolidated basis are credited to the group that generated such benefits. Accordingly, the amounts of taxes payable or refundable allocated to each group may not necessarily be the same as that which would have been payable or refundable had each group filed a separate income tax return.

Depending on the tax laws of the respective jurisdictions, state and local income taxes are calculated on either a consolidated or combined basis or on a separate corporation basis. State income tax provisions and related tax payments or refunds are allocated between the groups based on their respective contributions to such consolidated or combined state taxable incomes. State and local income tax provisions and related tax payments which are determined on a separate corporation basis are allocated between the groups in a manner designed to reflect the respective contributions of the groups to the corporation's separate state or local taxable income.

The discussion of HDDG's income tax provision (Note 12) should be read in conjunction with Quantum's consolidated financial statements and notes thereto.

Use of Estimates. The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. In particular, significant estimates are required to value inventory and estimate the future cost associated with HDDG's warranties. If the actual value of HDDG's inventories and associated reserves differs from these estimates, HDDG's operating results could be materially adversely impacted. The actual results with regard to warranty expenditures could also have a material adverse impact on HDDG if the actual rate of unit failure or the cost to repair a unit is greater than what HDDG has used in estimating the warranty expense accrual.

Revenue Recognition. Revenue from sales of products is recognized on passage of title to customers, when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price to the buyer is fixed or determinable and collectibility is reasonably assured, with provision made for estimated returns.

Foreign Currency Translation and Transactions. Assets, liabilities, and operations of foreign offices and subsidiaries are recorded based on the functional currency of the entity. For a majority of HDDG's material foreign operations, the functional currency is the U.S. dollar. The assets and liabilities of foreign offices with a local functional currency are translated at current exchange rates from the local currency to the reporting currency, the U.S. dollar. The resulting gains or losses are reported as a component of group equity. Although over half of HDDG's sales are made to customers in non-U.S. locations and all of HDDG's hard disk drive products are manufactured in Japan, Singapore and Ireland by Matsushita-Kotobuki Electronics Industries, Ltd. ("MKE"), a majority of HDDG's material transactions are denominated in U.S. dollars, including the purchase by HDDG of hard disk drives manufactured by MKE in U.S. dollars. Accordingly, transaction gains or losses have been immaterial to the financial statements for all years presented. The effect of foreign currency exchange rate fluctuations on cash was also immaterial for the years presented. Assets and liabilities denominated in other than the functional currency are remeasured each month with the remeasurement gain or loss recorded in other income.

Foreign Exchange Contracts. The effect of foreign currency rate changes on the remeasurement of certain assets and liabilities denominated in a foreign currency are managed using foreign currency forward exchange contracts. Foreign currency forward exchange contracts represent agreements to exchange the currency of one

country for the currency of another country at an agreed-upon price, on an agreed-upon settlement date. Foreign currency forward exchange contracts are accounted for by the fair value method, with changes in value recognized in other income.

Net Income (Loss) Per Share. As a result of the recapitalization, net loss per share for HDDG has been calculated based on HDDG's net loss from August 4, 1999 through March 31, 2000. It was not calculated on a group basis for periods prior to the recapitalization because HDDG stock was not part of Quantum's capital structure at that time. Pro forma net loss per share presented in HDDG's statements of operations assumes that HDDG stock created in the recapitalization existed for all periods presented.

Cash Equivalents and Marketable Securities. Highly liquid debt instruments with a maturity of 90 days or less at the time of purchase are considered to be cash equivalents. Cash equivalents are carried at fair value, which approximates cost. Marketable securities have maturities of more than 90 days at the time of purchase. Cash equivalents and marketable securities have been classified as available-for-sale. Securities classified as available-for-sale are carried at fair value with material unrealized gains and losses reported in group equity. The cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in interest income. Realized gains and losses and declines in value judged to be other-than-temporary are recorded in other income or expense. The cost of securities sold is based on the specific identification method.

Concentration of Credit Risk. Quantum performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral from its customers. Sales to HDDG's top five customers in fiscal year 2000 represented 50% of revenue. Two customers accounted for 13% and 12% of revenue, respectively. Reserves are maintained for potential credit losses and such losses have historically been within management's expectations.

Quantum invests its excess cash in deposits with major banks and in money market funds and short-term debt securities of companies with strong credit ratings from a variety of industries. These securities generally mature within 365 days and, therefore, bear minimal risk. Quantum has not experienced any material losses on these investments. Quantum, by corporate policy, limits the amount of credit exposure to any one issuer and to any one type of investment.

Investments in Joint Ventures and Other Entities. Investments in joint ventures and other entities are recorded in other assets. Investments in joint ventures are accounted for by the equity method. Dividends are recorded as a reduction of the carrying value of the investment when received.

Investments in other entities (less-than-20-percent-owned companies) that are not represented by marketable securities are carried at cost less write-downs for declines in value that are judged to be other-than-temporary. Dividends are recorded in other income when received.

Inventories. Inventories are carried at the lower of cost or market. Cost is determined on a first-in, first-out basis.

Property, Plant, and Equipment. Property, plant, and equipment are carried at cost, less accumulated depreciation and amortization computed on a straight-line basis over the lesser of the estimated useful lives of the assets (generally three to ten years for machinery, equipment, furniture, and leasehold improvements; and twenty-five years for buildings) or the lease term.

Acquired Intangible Assets. Acquired intangible assets are amortized over their estimated useful lives, which range from three to five years. The accumulated amortization at March 31, 1999 and 2000 was $5 million

and $8 million, respectively. Intangible assets are reviewed for impairment whenever events or circumstances indicate impairment might exist, or at least annually. HDDG assesses the recoverability of its assets, including goodwill, by comparing projected undiscounted net cash flows associated with those assets against their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets.

Warranty Expense. HDDG generally warrants its products against defects for a period of one to five years. A provision for estimated future costs and estimated returns for credit relating to warranty is recorded when products are shipped and revenue recognized.

Advertising Expense. HDDG accrues for co-operative advertising as the related revenue is earned, and other advertising expense is recorded as incurred. Advertising expense for the years ended March 31, 1998, 1999 and 2000, was $26 million, $20 million, and $22 million, respectively.

Stock-Based Compensation. HDDG accounts for its stock-based employee compensation plans in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" and related Interpretations.

Risks and Uncertainties. HDDG's business entails a number of risks. As is typical in the information storage industry, a significant portion of HDDG's customer base is concentrated with a small number of OEMs, and HDDG is not able to predict whether there will be any significant change in the demand for its customers' products. The loss of any one of HDDG's more significant customers could have a material adverse effect on HDDG's results of operations. A limited number of hard disk drive storage products make up a significant majority of HDDG's sales, and due to increasingly rapid technological change in the industry, HDDG's future depends on its ability to develop and successfully introduce new products. HDDG utilizes a third party, MKE, to manufacture all of the products it sells. HDDG relies on MKE's ability to bring new products rapidly to volume production and to meet stringent quality standards. MKE manufactures HDDG's drives in Japan, Singapore, and Ireland. If MKE were unable to satisfy HDDG's production requirements, HDDG would not have an alternative source to meet the demand for its products without substantial delay and disruption to its operations.

Derivative Instruments and Hedging Activities. In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments and hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. Management does not expect SFAS No. 133 to have a material effect on HDDG's financial position or results of operations. Implementation of this standard has recently been delayed by the FASB for a 12-month period. HDDG is required to adopt SFAS 133 in fiscal year 2002.

Revenue Recognition and Financial Statements. In December 1999, the Securities and Exchange Commission ("SEC") issued SEC Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." SAB 101 summarized certain of the SEC's views in applying generally accepted accounting principles to revenue recognition in financial statements. SAB 101 will be effective for Quantum in the first quarter of fiscal year 2001. HDDG is reviewing the requirements of SAB 101 and currently believes that its revenue recognition policy is consistent with the guidance of SAB 101.

Certain Transactions Involving Stock Compensation. In March 2000, FASB issued FASB Interpretation No. 44 ("FIN 44"), "Accounting for Certain Transactions Involving Stock Compensation--an Interpretation of APB Opinion No. 25." FIN 44 clarifies the following: the definition of an employee for purposes of applying APB Opinion No. 25; the criteria for determining whether a plan qualifies as a noncompensatory plan; the accounting consequence of various modifications to the terms of the previously fixed stock options or awards; and the accounting for an exchange of stock compensation awards in a business combination. FIN 44 is effective

July 1, 2000, but certain conclusions in FIN 44 cover specific events that occurred after either December 15, 1998 or January 12, 2000. Management does not expect the application of FIN 44 to have a material impact on HDDG's financial position or results of operations.

Note 2 Financial Instruments

Available-For-Sale Securities

Quantum's cash and cash equivalents, including certain available-for-sale securities, are allocated between the Hard Disk Drive group and the DLT & Storage Systems group. The following is a summary of Quantum's consolidated available-for-sale securities, all of which are classified as cash equivalents and marketable securities:

<TABLE>
<CAPTION>

	March 31, 1999		March 31, 2000	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)			
<S>	<C>	<C>	<C>	<C>
Certificates of deposit.............	$499,400	$499,400	$590,171	$590,171
Money market funds..................	125,200	125,200	131,900	131,900
Corporate commercial paper and bank notes..............................	58,484	58,486	128,222	128,246
U.S. Treasury securities and obligations of U.S. government agencies...........................	100,589	100,589	28,952	28,962
Equity investments..................	--	--	8	30,048
Other...............................	5,121	5,121	14,500	14,500
	$788,794	$788,796	$893,753	$923,827
Included in cash and cash equivalents........................	$764,368	$764,368	$891,713	$891,747
Included in marketable securities....	24,426	24,428	2,040	32,080
	$788,794	$788,796	$893,753	$923,827

</TABLE>

The difference between the amortized cost of available-for-sale securities and fair value was immaterial at March 31, 1999. At March 31, 2000, unrealized gains on available-for-sale securities were recorded, net of tax, as a component of accumulated other comprehensive income within Quantum's stockholders' equity. The estimated fair value of available-for-sale securities is based on market quotations. There were no sales of available-for-sale securities in fiscal years 1999 or 2000. At March 31, 2000, the average available-for-sale portfolio duration was approximately 15 days for debt securities, and no security had a maturity longer than one year.

Derivative Financial Instruments

Foreign Exchange--Asset and Liability Management. During the periods covered by the financial statements, Quantum utilized foreign currency forward exchange contracts to manage the effects of foreign currency remeasurement arising from certain assets and liabilities denominated in a foreign currency. The gains and losses from market rate changes on these contracts, which are intended to offset the losses and gains on certain foreign currency denominated assets and liabilities, are recorded monthly in other income.

The following is a summary of foreign currency forward contracts held for asset and liability management purposes:

<TABLE>
<CAPTION>
March 31,

<S>	1999 <C>	2000 <C>
	(In millions, except for forward rates)	
Currency to be sold	Yen	Yen
Maturity dates	April-May 1999	April 2000
Foreign currency notional amount	2,900 yen	650 yen
Weighted average forward rate	119.06	109.88
U.S. dollar notional amount	$24.4	$ 5.9
U.S. dollar equivalent	$24.5	$ 6.2
Fair value	$(0.1)	$(0.3)

</TABLE>

<TABLE>
<CAPTION>

<S>	March 31, 1999 <C>	March 31, 2000 <C>	<C>	<C>
	(In millions, except for forward rates)			
Currency to be purchased	Swiss Franc	Swiss Franc	Yen	Irish Punt
Maturity dates	April 1999	April 1999	April 2000	April 2000
Foreign currency notional amount	22.0 Swiss Francs	42.7 Swiss Francs	400 yen	7.6 Irish Punt
Weighted average forward rate	1.49	1.65	104.7	1.23
U.S. dollar notional amount	$14.8	$25.9	$ 3.8	$ 9.3
U.S. dollar equivalent	$14.8	$25.8	$ 3.8	$ 9.3
Fair value	$ --	$(0.1)	$ --	$ --

</TABLE>

The fair values for foreign currency forward contracts represent the difference between the contracted forward rate and the quoted fair value of the underlying Yen, Swiss Francs and Irish Punt at the balance sheet dates. Quantum generally does not require collateral from the counterparties to foreign currency forward contracts.

Carrying Amount and Fair Values of Financial Instruments

The estimated fair value of Quantum's borrowings (pooled debt) are summarized as follows:

<TABLE>
<CAPTION>

<S>	March 31, 1999 Carrying Amount <C>	1999 Fair Value <C>	2000 Carrying Amount <C>	2000 Fair Value <C>
	(In millions)			
Convertible subordinated debt	$287.5	$254.6	$287.5	$227.1
Revolving credit line	18.0	18.0	--	--
Mortgage loan	40.0	40.8	38.9	39.0

</TABLE>

The fair values for the convertible subordinated debt were based on the quoted market price at the balance sheet dates. Fair value for the revolving credit agreement approximated its carrying amount, since interest rates on these borrowings are adjusted periodically to reflect market interest rates. The fair values of the mortgage loan were based on the estimated present value of the remaining payments, utilizing risk-adjusted market interest rates of similar instruments at the balance sheet dates.

Note 3 Inventories

Inventories consisted of:

<TABLE>
<CAPTION>

	March 31,	
	1999	2000

	(In thousands)	
<S>	<C>	<C>
Materials and purchased parts	$ 2,204	$ 7,387
Work in process	5,337	5,299
Finished goods	139,943	109,661
	$147,524	$122,347

</TABLE>

Note 4 Property, Plant and Equipment

Property, plant, and equipment consisted of:

<TABLE>
<CAPTION>

	March 31,	
	1999	2000
	(In thousands)	
<S>	<C>	<C>
Machinery and equipment	$ 282,872	$ 253,986
Furniture and fixtures	25,774	28,483
Buildings and leasehold improvements	123,319	90,470
Land	3,828	4,283
	435,793	377,222
Less accumulated depreciation and amortization	(236,987)	(218,674)
	$ 198,806	$ 158,548

</TABLE>

Note 5 Special Charge

During the second quarter of fiscal year 2000, HDDG recorded a special charge of $59.4 million. The charge reflected HDDG's strategy to modify the hard disk drive business to more closely align product development and the business' operating model with the requirements of the rapidly growing low-cost PC market. The special charge was associated primarily with the streamlining of HDDG's logistics model in order to create a faster and more flexible fulfillment system, changes in the customer service strategy and consolidation of certain product development programs.

The special charge consisted of $26.4 million related to facilities costs, $13.2 million in asset write-offs related to the streamlining of the global logistics model and change in customer service strategy, $7.8 million in severance and benefits for terminated employees, and approximately $12 million in other costs associated with the plan.

The facilities costs noted above include lease payments on facilities to be vacated in and around Milpitas, California and Singapore, the write-off of related leasehold improvements, and other maintenance expenses associated with the vacated facilities. HDDG expects that the affected facilities will be vacated by the end of the second quarter of fiscal year 2001.

In connection with the charge, HDDG currently expects a workforce reduction of approximately 600 employees. In addition, approximately 100 open requisitions and budgeted positions have been eliminated. The reduction in force primarily affects employees at HDDG's drive configuration centers and warehouses in

Milpitas, California and Dundalk, Ireland and employees within the desktop drive business. As of March 31, 2000, 322 of the 600 employees had been terminated. HDDG anticipates that the remaining employees will be terminated by the end of the second quarter of fiscal year 2001.

Subsequent to the end of the second quarter fiscal year 2000, HDDG revised its estimate of costs required to implement the restructuring plan. HDDG currently estimates that severance and benefits, inventory and other costs, which include the disposition of additional capital assets, will be more than previously estimated as a result of the planned changes in the customer service strategy. HDDG also estimates that costs associated with vacating leased facilities will be less than previously estimated as a result of vacating a major facility earlier than previously expected. Accordingly, HDDG has reallocated amounts between these categories.

As of March 31, 2000, HDDG had incurred $7 million in cash expenditures associated with employee severance and benefits, facilities and other costs. HDDG expects to incur additional cash expenditures associated with the plan of approximately $19 million, which it will fund from operations.

The following table summarizes activity related to the special charge at March 31, 2000:

<TABLE>
<CAPTION>

	Severance And Benefits	Facilities Costs	Inventory	Other Costs	Total
			(In thousands)		
<S>	<C>	<C>	<C>	<C>	<C>
Special charge provision....	$ 7,833	$26,359	$ 13,214	$12,000	$ 59,406
Cash Payments...............	(3,906)	(1,394)	--	(1,663)	(6,963)
Non-cash charges............	--	(5,646)	(15,588)	(8,800)	(30,034)
Adjustments.................	1,166	(7,852)	2,374	4,312	--
Balance at March 31, 2000...	$ 5,093	$11,467	$ --	$ 5,849	$ 22,409

</TABLE>

Note 6 Loss from Investee

On May 16, 1997, the Hard Disk Drive group sold a controlling interest in its recording heads operations to MKE, thereby forming a recording heads joint venture with MKE, MKE-Quantum Components LLC ("MKQC"). The operations were involved in the research, development, and manufacture of MR recording heads used in HDDG's hard disk drive products manufactured by MKE.

HDDG contributed recording heads assets and operations, and leased certain premises to MKQC. The recording heads assets that Quantum contributed to MKQC consisted of inventory, equipment, accounts receivable, and intangibles, which aggregated $211 million. MKQC assumed $51 million of debt payable to Quantum and assumed $24 million of third-party liabilities. MKE paid Quantum $94 million and contributed $110 million to MKQC in exchange for a 51% majority ownership interest in MKQC. Quantum retained a 49% minority ownership interest in MKQC. Quantum employees who were involved in the recording heads operations became employees of MKQC.

MKE and Quantum shared pro rata in MKQC's results of operations and agreed to share pro rata in any capital funding requirements.

Subsequent to May 16, 1997, HDDG accounted for its 49% interest in MKQC using the equity method of accounting. The results of HDDG's involvement in recording heads through May 15, 1997, were combined.

Quantum provided support services to MKQC. The support services were mainly finance, human resources, legal, and computer support. MKQC reimbursed Quantum for the estimated cost of the services.

Summarized Financial Information

The following is summarized financial information for MKQC:

<TABLE>
<CAPTION>

	Period from May 16, 1997, to March 31, 1998
	(In thousands)
<S>	<C>
Revenue..	$ 165,775
Gross profit (loss)..	(43,677)
Loss from operations.......................................	(131,693)
Net loss...	(134,816)

</TABLE>

On October 28, 1998, Quantum and MKE agreed to dissolve MKQC because MKQC had not been able to produce MR recording heads on a cost-effective basis. In connection with the dissolution, MKE has taken control and ownership of MKQC's manufacturing operations in Batam, Indonesia; MKQC's domestic operations have ceased; and its domestic assets are in liquidation. In the third quarter of fiscal year 1999, the HDDG recorded a $101 million loss from investee which includes a write-off of HDDG's investment in MKQC; a write-down of HDDG's interest in facilities in Louisville, Colorado, and Shrewsbury, Massachusetts that were occupied by MKQC; warranty costs resulting from MR recording heads manufactured by MKQC; and HDDG's 49% pro rata share in funding MKQC's repayment of its obligations, primarily bank debt, accounts payable, and other liabilities through June 1999 when the liquidation of MKQC is expected to be completed.

MKQC's unaudited net loss for the six months ended September 27, 1998 was $84 million on revenue of $62 million. The Hard Disk Drive group's 49% interest in the net loss was $41 million.

Note 7 Credit Agreements, Long-Term Debt and Convertible Subordinated Debt

Quantum's debt includes the following:

<TABLE>
<CAPTION>

	March 31, 1999	March 31, 2000
	(In thousands)	
7% convertible subordinated notes	$287,500	$287,500
Revolving credit line, 6.0% average rate, payable through June 2000	18,000	--
Mortgage	39,985	38,871
	345,485	326,371
Less short-term portion of debt	1,024	1,033
Total long-term debt and convertible subordinated debt	$344,461	$325,338
The DLT & Storage Systems group's portion of Quantum debt:		
Short-term debt	$ 623	$ 689
Long-term debt and convertible subordinated debt, excluding current portion	229,641	216,892
The DLT & Storage Systems group total debt	$230,324	$217,581
The Hard Disk Drive group's portion of Quantum debt:		
Short-term debt	$ 341	$ 344
Long-term debt and convertible subordinated debt, excluding current portion	114,820	108,446
The Hard Disk Drive group total debt	$115,161	$108,790
Weighted average interest rate on Quantum's debt at period-end	7.31%	7.37%

</TABLE>

In June 1997, Quantum entered into an unsecured senior credit facility that provides a $500 million revolving credit line and expires in June 2000. At the option of Quantum, borrowings under the revolving credit line bear interest at either the London interbank offered rate plus a margin determined by a total funded debt ratio, or at a base rate, with option periods of one to six months. At March 31, 1999 and March 31, 2000, there was no outstanding balance drawn on this line.

In July 1997, Quantum issued $288 million of 7% convertible subordinated notes. The notes mature on August 1, 2004, and are convertible at the option of the holder at any time prior to maturity, unless previously redeemed, into shares of DSSG common stock and HDDG common stock. The notes are convertible into 6,206,152 shares of DSSG common stock, or 21.587 shares per $1,000 note, and 3,103,076 shares of HDDG common stock, or 10.793 shares per $1,000 note. Quantum has the option to redeem the notes on or after August 1, 1999 and prior to August 1, 2001, under certain conditions related to the price of Quantum's common stocks. Subsequent to August 1, 2001, Quantum may redeem the notes at any time. In the event of certain changes involving all or substantially all of Quantum's common stocks, the holder would have the option to redeem the notes. Redemption prices range from 107% of the principal to 100% at maturity. The notes are unsecured obligations subordinated in right of payment to all of Quantum's existing and future senior indebtedness.

In September 1996, Quantum entered into a $42 million mortgage related to certain domestic facilities at an effective interest rate of approximately 10.1%. The term of the mortgage is 10 years, with monthly payments based on a 20-year amortization period, and a balloon payment at the end of the 10-year term. The debt is secured by specified real estate.

Principal payments required on Quantum's long-term debt outstanding at March 31, 2000, are $1.1 million in fiscal year 2001, $1.2 million in fiscal year 2002, $1.3 million in fiscal year 2003, $1.5 million in fiscal year 2004 and $1.6 million in fiscal year 2005.

Subsequent to March 31, 2000, Quantum entered into new credit facility agreements as described in Note 17 of the Notes to Combined Financial Statements.

Note 8 Stock Incentive Plans

As a result of the recapitalization, each outstanding stock option under Quantum's stock option plans was converted into separately exercisable options to acquire one-half of a share of Hard Disk Drive group stock and one share of DLT & Storage Systems group stock. The exercise price for the resulting HDDG stock options and DSSG stock options was calculated by multiplying the exercise price under the original options by a fraction, the numerator of which was the opening price of HDDG stock or DSSG stock on August 4, 1999 (the date such stocks were first traded on the New York Stock Exchange) and the denominator of which was the sum of these HDDG stock and DSSG stock prices. However, the aggregate intrinsic value of the options was not increased, and the ratio of the exercise price per option to the market value per share was not reduced. In addition, the vesting provisions and option periods of the original grants remained the same upon conversion.

Long-Term Incentive Plan. Quantum has a Long-Term Incentive Plan (the "Plan") that provides for the issuance of stock options, stock appreciation rights, stock purchase rights, and long-term performance awards (collectively referred to as "options") to employees, consultants, officers and affiliates of Quantum. The Plan has available and reserved for future issuance 11.3 million shares and 23.6 million shares of HDDG stock and DSSG stock, respectively, and allows for an annual increase in the number of shares available for issuance, subject to a limitation. Available for grant as of March 31, 2000, were 1.1 million shares of HDDG stock and 4.1 million shares of DSSG stock. Options under the Plan expire no later than ten years from the grant date and generally vest over four years. Restricted stock granted under the Plan generally vests over two to three years.

Compensation expense of $1,060,000, $1,070,000, and $985,000 was recorded by HDDG in fiscal years 1998, 1999 and 2000, respectively, on restricted stock options granted pursuant to stock purchase rights under the Plan. In fiscal years 1998, 1999 and 2000, Quantum granted 65,500 shares, 157,200 shares, and 99,800 shares, respectively, of Quantum Corporation restricted stock under the Plan at an exercise price of $.01 per share. Additionally, 155,800 shares of HDDG and 321,600 shares of DSSG restricted stock restricted stock were granted during fiscal year 2000 at an exercise price of $.01 per share.

Supplemental Plan. Quantum has a Supplemental Stock Plan (the "SSP") that provides for the issuance of stock options and stock purchase rights (collectively referred to as "options") to employees and consultants of Quantum. The SSP has available and reserved for future issuance 5.7 million shares and 9.7 million shares of HDDG stock and DSSG group stock, respectively. Options under the SSP generally vest over two to four years and expire ten years after the grant date. At March 31, 2000, options with respect to 853,000 shares of HDDG stock and 1.8 million shares of DSSG stock were available for grant. Restricted stock granted under the SSP generally vests over two to three years. In fiscal year 2000, compensation expense of $1,423,000 related to restricted stock granted was recorded by the Hard Disk Drive group pursuant to stock purchase rights under the SSP. In fiscal year 2000, 1.5 million of HDDG restricted stock and 3.0 million shares of DSSG restricted stock were granted under the SSP at an exercise price of $.01 per share.

Stock Option Plans. Quantum has Stock Option Plans (the "Plans") under which 2.0 million shares and 4.3 million shares of HDDG stock and DSSG stock, respectively, were reserved for future issuance at March 31, 2000 to employees, officers and directors of Quantum. Options under the Plans are granted at prices determined by the Board of Directors, but at not less than the fair market value, and accordingly no compensation accounting has been required at the original date of grant. Options currently expire no later than ten years from the grant date and generally vest ratably over one to four years. At March 31, 2000, options with respect to 189,000 shares and 377,500 shares of HDDG stock and DSSG stock, respectively, were available for grant.

Stock Option Summary Information. A summary of activity relating to the Long-Term Incentive Plan, the Supplemental Plan and the Stock Option Plans follows:

	Year Ended March 31,							
	1998		1999		2000			
					Period from April 1, 1999 to August 3, 1999		Period from August 4, 1999, to March 31, 2000	
	Quantum Corporation		Quantum Corporation		Quantum Corporation		Hard Disk Drive Group	
	Shares (000s)	Weighted-Avg. Exercise Price	Shares (000s)	Weighted-Avg. Exercise Price	Shares (000s)	Weighted-Avg. Exercise Price	Shares (000s)	Weighted-Avg. Exercise Price
Outstanding at beginning of period	16,354	$ 7.52	17,005	$12.09	23,376	$14.68	13,206	$4.80
Granted	6,163	$19.80	10,781	$21.51	4,719	$18.91	7,430	$6.19
Canceled	(718)	$14.11	(1,880)	$22.63	(585)	$18.56	(1,789)	$6.39
Exercised	(4,794)	$ 6.10	(2,530)	$ 7.23	(1,098)	$ 8.87	(1,961)	$3.06
Outstanding at end of period	17,005	$12.09	23,376	$14.68	26,412	$15.58	16,886	$5.37
Exercisable at end of period	8,332	$ 8.84	11,786	$10.65	13,037	$11.95	6,407	$4.23

The exercise prices for options outstanding at March 31, 2000 range from $0.01 to $11.06 for HDDG stock. Compensation expense of $352,000, $729,000, and $93,000 was recorded by HDDG in fiscal years 1998, 1999 and 2000, respectively, in connection with accelerated vesting of Quantum and HDDG stock options under the Plans.

The following tables summarize information about HDDG options outstanding and exercisable at March 31, 2000:

Hard Disk Drive Group

	Outstanding Options		
Range of Exercise Prices	Shares Outstanding at March 31, 2000 (000s)	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price
$0.01-$ 3.21	4,469	4.18	$1.33
$3.22-$ 5.85	2,524	6.98	$4.96
$5.86-$11.06	9,893	8.14	$7.30
	16,886	6.92	$5.37

	Options Exercisable	
Range of Exercise Prices	Shares Outstanding at March 31, 2000 (000s)	Weighted-Average Exercise Price

$0.01-$ 3.21	2,752	$2.02
$3.22-$ 5.85	1,769	$4.82
$5.86-$11.06	1,885	$6.90
	6,407	$4.23

</TABLE>

Expiration dates ranged from April 27, 2000 to February 11, 2011 for HDDG's options outstanding at March 31, 2000. Prices for options exercised during the three-year period ended March 31, 2000, were as follows:

<TABLE>
<CAPTION>

<S>	Period <C>	Price range <C>
Quantum Corporation	4/1/97-8/3/99	$0.01-$23.94
Hard Disk Drive Group	8/4/99-3/31/00	$0.01-$ 8.00

</TABLE>

Proceeds received by Quantum and HDDG from exercises are credited to common stock and capital in excess of par value.

Completing the acquisition of Meridian in September 1999 included the conversion of outstanding Meridian stock options into options to purchase 315,000 shares of HDDG common stock and 630,000 shares of DSSG common stock. These options relate to Quantum's assumption of Meridian's 1985 Director Incentive Stock Plan, 1988 Incentive Stock Plan, 1995 Director Stock Plan and the 1997 Stock Plan, collectively referred to as the "Meridian Plans." Under the terms of the Meridian Plans, employees, directors and consultants received options to purchase shares of Meridian's previously outstanding common stock at prices not less than 100% of the fair value on the date of grant as determined by Meridian's Board of Directors. Options under Meridian Plans vest over a four year period and expire ten years after date of grant or from 30 days to three months after termination of employment. Subsequent to completing the acquisition of Meridian, no additional grants may be made from the Meridian Plans.

Completing the acquisition of ATL in September 1998 included the conversion of outstanding ATL stock options into options to purchase 1.8 million shares of Quantum common stock, which were converted, as a result of the recapitalization, into 0.9 million shares and 1.8 million shares of HDDG common stock and DSSG common stock, respectively. These options relate to Quantum's assumption of ATL's 1996 Stock Incentive Plan and 1997 Stock Incentive Plan, collectively referred to as the "ATL Plans." Under the terms of the ATL Plans, eligible key employees, directors and consultants received options to purchase shares of ATL's previously outstanding common stock at prices not less than 100% for incentive stock options and not less than 85% for nonqualified stock options of the fair value on the date of grant as determined by ATL's Board of Directors. Options under ATL Plans vest over a three year period and expire ten years after date of grant or 90 days after termination of employment. Subsequent to completing the acquisition of ATL, no additional grants may be made from the ATL Plans.

Stock Purchase Plan. Quantum has an employee stock purchase plan (the "Purchase Plan") that allows for the purchase of stock at 85% of fair market value at the date of grant or the exercise date, whichever value is less. The Purchase Plan is qualified under Section 423 of the Internal Revenue Code. Of the 12.4 million HDDG shares and 24.8 million DSSG shares authorized to be issued under the plan, 698,000 shares and 1,394,000 shares, respectively, were available for issuance at March 31, 2000. Employees purchased 3,454,000 shares, 2,555,000 shares, and 829,000 shares of Quantum Corporation common stock under the Purchase Plan in fiscal years 1998, 1999, and 2000, respectively. Additionally, employees purchased 571,000 shares of HDDG and 1,145,000 shares of DSSG stock during fiscal year 2000. The weighted average exercise price of Quantum Corporation stock purchased under the Purchase Plan was $6.22, $9.41, and $16.16 in fiscal years 1998, 1999, and 2000, respectively. The weighted average exercise price of HDDG stock purchased under the Purchase Plan was $5.03 in fiscal year 2000.

Pro forma information. Quantum adopted SFAS No. 123, "Accounting for Stock-Based Compensation" in fiscal year 1997. Quantum has elected to continue to account for its stock-based compensation plans under APB Opinion No. 25 and disclose the pro forma effects of the plans on net income and earnings per share as provided by SFAS No. 123. Accordingly, no compensation expense has been recognized for the stock option plans and the employee stock purchase plans as all options have been issued at fair market value.

Pro forma net income and earnings per share information, as required by SFAS No. 123, have been determined as if Quantum had accounted for its employee stock options (including shares issued under the Long-Term Incentive Plan, Supplemental Plan, Stock Option Plans, and the Stock Purchase Plan, collectively called "options") granted subsequent to March 31, 1995, under the fair value method of that statement.

The fair value of options granted in fiscal years 1998, 1999 and 2000 reported below have been estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions:

Quantum Corporation

	Long-Term Incentive Plan, Supplemental Plan And Stock Option Plans			Stock Purchase Plan		
	Fiscal 1998	Fiscal 1999	Fiscal 2000	Fiscal 1998	Fiscal 1999	Fiscal 2000
Option life (in years)............	2.9	3.1	2.8	1.6	1.4	1.1
Risk-free interest rate...........	6.25%	5.52%	5.19%	6.13%	5.85%	5.57%
Stock price volatility............	.56	.61	.65	.53	.56	.62
Dividend yield....................	--	--	--	--	--	--

Hard Disk Drive Group

	Long-Term Incentive Plan, Supplemental Plan And Stock Option Plans			Stock Purchase Plan		
	Fiscal 1998	Fiscal 1999	Fiscal 2000	Fiscal 1998	Fiscal 1999	Fiscal 2000
Option life (in years)............	--	--	3.5	--	--	1.51
Risk-free interest rate...........	--	--	6.27%	--	--	5.57%
Stock price volatility............	--	--	.68	--	--	.63
Dividend yield....................	--	--	--	--	--	--

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because Quantum and HDDG options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in the opinion of management, the existing models do not necessarily provide a reliable single measure of the fair value of the options.

The following is a summary of weighted-average grant date fair values:

Quantum Corporation

	Weighted-Average Grant Date Fair Value		
	Fiscal 1998	Fiscal 1999	Fiscal 2000
Options granted under the Long-Term Incentive Plan, Supplemental Plan and Stock Option Plans...........	$ 8.39	$ 9.86	$ 8.55
Restricted stock granted under the Long-Term Incentive Plan and Supplemental Plan................	$23.68	$22.40	$18.99

Shares granted under the Stock Purchase Plan.........	$ 3.56 $ 4.86 $ 7.85

</TABLE>

Hard Disk Drive Group

<TABLE>
<CAPTION>

	Weighted-Average Grant Date Fair Value
	Fiscal 2000
Options granted under the Long-Term Incentive Plan, Supplemental Plan and Stock Option Plans................	$4.16
Restricted stock granted under the Long-Term Incentive Plan and Supplemental Plan.............................	$7.98
Shares granted under the Stock Purchase Plan.............	$2.73

</TABLE>

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the option's vesting period. Quantum's and HDDG's pro forma net income (loss) and net income (loss) per share follows:

Quantum Corporation

<TABLE>
<CAPTION>

	Year Ended March 31,		Period from April 1, 1999, to August 3, 1999
	1998	1999	
Net income (loss) (in thousands).............	$139,907	$(83,964)	$(32,227)
Net income (loss) per share:			
Basic......................................	$ 1.03	$ (0.52)	$ (0.19)
Diluted....................................	$ 0.88	$ (0.52)	$ (0.19)

</TABLE>

Hard Disk Drive Group

<TABLE>
<CAPTION>

	Period from August 4, 1999, to March 31, 2000
Net loss (in thousands).......................................	$(35,678)
Net loss per share:	
Basic...	$ (0.43)
Diluted...	$ (0.43)

</TABLE>

Since HDDG stock was not part of the capital structure of Quantum prior to the recapitalization on August 3, 1999 and no HDDG stock options were outstanding prior to this date, pro forma information for HDDG for fiscal years 1999 and 1998 is omitted. Accordingly, the pro forma effect of HDDG stock options is not representative of what the effect will be in future years.

As SFAS No. 123 is applicable only to options granted subsequent to March 31, 1995, its pro forma effect will not be fully reflected until fiscal year 2001.

Note 9 Common Stock and Stockholder Rights Agreement

The number of authorized shares of common stock is 1,600,000,000, of which 1,000,000,000 shares are authorized for DSSG common stock and 600,000,000 shares are authorized for HDDG common stock. The number of authorized shares of preferred stock is 20,000,000.

Quantum has a stockholder rights agreement (the "Rights Plan") that provides existing stockholders with the right to purchase preferred stock in the event of certain changes in Quantum's ownership. Specifically, existing DSSG stockholders will have the right to purchase one one-thousandth of a share of Series B Junior Participating Preferred Stock for each share of DSSG common stock held, or, under certain circumstances, shares of DSSG common stock with a market value twice the exercise price of such right and existing HDDG stockholders will have the right to purchase one one-thousandth of a share of Series C Junior Participating Preferred Stock for each share of HDDG common stock held or, under certain circumstances, shares of HDDG common stock with a market value twice the exercise price of such right. The purchase price in either case is

determined by the board of directors, subject to adjustment. Subject to certain exceptions, these rights may be exercised the tenth day after any person or group becomes the beneficial owner (or makes an offer that would result in such beneficial ownership) of 20% or more of the outstanding DSSG common stock or HDDG common stock. If such change in beneficial ownership is combined with a merger of Quantum or a sale of more than 50% of the assets of Quantum, then the existing stockholders have the right to purchase, for the exercise price, a number of shares of common stock in the surviving entity having a market value of twice the exercise price of such right. The Rights Plan may serve as a deterrent to takeover tactics that are not in the best interests of stockholders. There are 1,600,000 preferred shares reserved for issuance under the Rights Plan.

Note 10 Earnings Per Share

As a result of the recapitalization, net loss per share for HDDG has been calculated based on the group's net loss from August 4, 1999 through March 31, 2000. It was not calculated on a group basis for periods prior to the recapitalization because HDDG stock was not part of Quantum's capital structure at that time.

The following table sets forth the computation of basic and diluted net loss per share for HDDG after the recapitalization date:

<TABLE>
<CAPTION>

	Period from August 4, 1999, to March 31, 2000 (In thousands, except per share data)
<S>	<C>
Numerator:	
Numerator for basic and diluted net loss per share--loss available to common stockholders	$(27,549)
Denominator:	
Denominator for basic and diluted net loss per share--weighted average shares	83,018
Basic and diluted net loss per share	$ (0.33)

</TABLE>

The computation of diluted net loss per share for HDDG in the period August 4, 1999 through March 31, 2000, excluded the effect of the 7% convertible subordinated notes issued in July 1997, which are convertible into 3,103,076 shares of HDDG common stock, or 10.793 shares per $1,000 note, because the effect would have been antidilutive.

Options to purchase 16,885,729 shares of HDDG common stock were outstanding at March 31, 2000. However, the corresponding weighted average outstanding options were not included in the computation of diluted net loss per share for HDDG for the period August 4, 1999 through March 31, 2000, because the effect would have been antidilutive.

Note 11 Savings and Investment Plan

Substantially all of the regular domestic employees are eligible to make contributions to Quantum's 401(k) savings and investment plan. Quantum matches a percentage of the employees' contributions and may also make additional discretionary contributions to the plan. Quantum contributions were $6 million, $7 million and $9 million, in fiscal years 1998, 1999 and 2000, respectively.

Note 12 Income Taxes

The Hard Disk Drive group income tax benefit consists of the following:

<TABLE>
<CAPTION>

<S>	Year Ended March 31, 1998 <C>	1999 <C>	2000 <C>
	(In thousands)		
Federal:			
Current	$(106,585)	$(125,940)	$(80,020)
Deferred	21,029	20,682	(8,059)
	(85,556)	(105,258)	(88,079)
State:			
Current	(8,591)	(23,574)	(13,933)
Deferred	(15,098)	2,344	(1,475)
	(23,689)	(21,230)	(15,408)
Foreign:			
Current	26,857	18,021	37,391
Deferred	(593)	(3,510)	(7,315)
	26,264	14,511	30,076
Income tax benefit	$ (82,981)	$(111,977)	$(73,411)

The tax benefits associated with nonqualified stock options, disqualifying dispositions of incentive stock options, and employee stock purchase plan shares increase refundable taxes as shown above by $7 million, $6 million, and $5 million in fiscal years 1998, 1999 and 2000, respectively. Such benefits are credited to group equity when realized.

The Hard Disk Drive group's income tax provision differs from the amount computed by applying the federal statutory rate of 35% to income before income taxes as follows:

<CAPTION>

<S>	Year Ended March 31, 1998 <C>	1999 <C>	2000 <C>
	(In thousands)		
Tax benefit at federal statutory rate	$ (47,544)	$ (92,576)	$(62,362)
State income tax benefit, net of federal effect	(15,398)	(13,800)	(10,015)
Research and development credit	(5,990)	(1,631)	(3,298)
Foreign earnings taxed at rates different than U.S. rates	(15,813)	(5,004)	--
Other items	1,764	1,034	2,264
	$ (82,981)	$(111,977)	$(73,411)

</TABLE>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of deferred tax assets and liabilities are as follows:

<TABLE>
<CAPTION>

	Year Ended March 31, 1999	Year Ended March 31, 2000
	(In thousands)	
<S>	<C>	<C>
Deferred tax assets:		
Inventory valuation methods	$ 23,677	$ 18,043
Accrued warranty expense	18,752	14,251
Allowance for doubtful accounts	2,433	4,682
Distribution reserves	6,785	14,909
Restructuring and special charges	4,331	14,538
Net operating loss and credit carryforwards	--	18,139
Other accruals and reserves not currently deductible for tax purposes	29,099	14,414
Depreciation methods	41,699	59,990
Amortization methods	30,207	28,091
	156,983	187,057
Deferred tax liabilities:		
Foreign inventory valuation methods	(13,810)	(6,495)
Tax on un-remitted foreign earnings net of foreign tax credits and foreign deferred taxes	(97,817)	(130,671)
Other	(13,234)	(12,936)
	(124,861)	(150,102)
Net deferred tax asset	$ 32,122	$ 36,955

</TABLE>

HDDG's pretax income from foreign operations was $139 million, $120 million, and $220 million for the fiscal years ended March 31, 1998, 1999, and 2000, respectively. U.S. taxes have not been provided for unremitted foreign earnings of $357 million. The residual U.S. tax liability, if such amounts were remitted, would be approximately $78 million.

As of March 31, 2000, HDDG has net operating loss carryforwards of $7 million and credit carryforwards of $16 million. These carryforwards expire in varying amounts between fiscal years 2013 and 2019.

Quantum's federal income tax returns have been examined by the Internal Revenue Service ("IRS") for all years through 1993. All issues have been resolved with no material effect, and the IRS has closed those years. Quantum's federal tax returns for the years 1994-1996 are presently under examination by the IRS. Management believes sufficient accruals have been provided in prior years for any adjustments that may result for the years under examination.

Note 13 Litigation

On August 7, 1998, Quantum was named as one of several defendants in a patent infringement lawsuit filed in the U.S. District Court for the Northern District of Illinois, Eastern Division. The plaintiff, Papst Licensing GmbH, owns at least 24 U.S. patents which it asserts that Quantum has infringed. Quantum has studied these patents and believes that defenses of patent invalidity and non-infringement can be asserted. However, Quantum has not completed a full study of all the patents asserted by Papst and there can be no assurance that Quantum has not infringed these or other patents owned by Papst. Recently, on Papst's motion, the case was transferred to a federal district court in New Orleans, Louisiana, where it has been joined with suits brought against Papst by Hewlett-Packard and Minebea Company, Ltd. for the purposes of coordinated discovery under multi-district

litigation rules. Hewlett-Packard recently settled its dispute with Papst and has been withdrawn from the litigation. To date, discovery has not begun to any significant extent. Quantum does not believe that the transfer will affect the final disposition of this matter in a significant way. The final results of this litigation, as with any litigation, are uncertain. In addition, the costs of engaging in litigation with Papst will be substantial.

Quantum is also subject to other legal proceedings and claims that arise in the ordinary course of its business. For example, Discovision Associates has brought patents they hold to Quantum's attention. While management currently believes the amount of ultimate liability, if any, with respect to these actions will not materially affect the financial position, results of operations, or liquidity of Quantum, the ultimate outcome of any litigation is uncertain. Were an unfavorable outcome to occur, the impact could be material to Quantum.

Note 14 Commitments

Quantum leases certain facilities for HDDG's use under non-cancelable operating lease agreements for periods of up to 15 years. Some of the leases have renewal options ranging from one to ten years and contain provisions for maintenance, taxes, or insurance.

HDDG's rent expense was $21 million for the fiscal year ended March 31, 1998 and $22 million for the fiscal years ended March 31, 1999 and 2000.

Future minimum lease payments under operating leases are as follows:

	(In thousands)
Year ended March 31,	
2001	$ 21,112
2002	20,912
2003	20,211
2004	16,984
2005	14,438
Thereafter	107,333
Total future minimum lease payments	$200,990

Note 15 Business Units and Geographic Information

The Hard Disk Drive group currently has two primary product lines, desktop hard disk drives and high-end hard disk drives. HDDG has two separate business units that support these two product lines. In addition, through May 15, 1997, recording heads were manufactured by HDDG and were used only in HDDG's hard disk drives.

The desktop business unit designs, develops and markets desktop hard disk drives designed to meet the storage requirements of entry-level to high-end desktop personal computers in home and business environments. The high-end business unit designs, develops and markets high-end hard disk drives designed to meet the storage requirements of network servers, workstations and storage subsystems. In the future, the two HDDG business units may become a single business unit as their markets begin to merge and be reported on a combined basis.

HDDG's recording heads business through May 15, 1997 was reported in HDDG's combined operations. Effective May 16, 1997, MKE acquired a 51% interest in HDDG's recording heads business which became part of a joint venture with MKE. HDDG accounted for its 49% interest in the joint venture using the equity method. On October 28, 1998, the joint venture was dissolved and a charge was recorded to write-off assets and recognize obligations related to the dissolution. For more information on the loss from investee see Note 6 of the Notes to Combined Financial Statements.

	At or For the Year Ended March 31,		
	1998	1999	2000
	(in millions)		
Business unit:			
Desktop			
Revenue	$3,981	$3,079	$2,785

	1998	1999	2000
Gross profit	453	232	129
Unit operating profit (loss)	184	(49)	(155)
Inventory and property, plant and equipment, net of accumulated depreciation	320	294	205
Expenditures for long-lived assets	89	64	37
High-end			
Revenue	634	520	527
Gross profit (loss)	(81)	59	101
Unit operating loss	(250)	(83)	(36)
Inventory and property, plant and equipment, net of accumulated depreciation	120	52	76
Expenditures for long-lived assets	40	18	13
Recording heads			
Unit operating loss	(9)	--	--
Loss from investee	(66)	(142)	--
Inventory and property, plant and equipment, net of accumulated depreciation	--	--	--
Expenditures for long-lived assets	--	--	--

<CAPTION>

	Year Ended March 31,		
	1998	1999	2000
	(in millions)		
<S>	<C>	<C>	<C>
Loss reconciliation:			
Total unit operating loss	$ (74)	$ (132)	$ (191)
Total loss from investee	(66)	(142)	--
Unallocated amounts:			
Interest and other income	4	10	13
Loss before income taxes	$ (136)	$ (264)	$ (178)

</TABLE>

<TABLE>
<CAPTION>

	March 31,	
	1999	2000
	(in millions)	
<S>	<C>	<C>
Assets reconciliation:		
Total unit inventory and property, plant and equipment, net of accumulated depreciation	$ 346	$ 281
Cash and cash equivalents	500	582
Marketable securities	24	30
Accounts receivable, net of allowance for doubtful accounts	392	395
Due from the DLT & Storage Systems group	--	30
Deferred taxes	72	79
Other current assets	97	58
Intangible assets, less accumulated amortization	5	2
Other assets	34	21
Total combined assets	$1,470	$1,478

</TABLE>

Recording heads produced by the recording heads business were transferred to MKE and used in the manufacture of hard disk drives for HDDG. The value at which the recording heads were transferred was recorded as an offset to cost of sales by HDDG.

Property plant and equipment, net of accumulated depreciation, included equipment related to research and development, testing and configuration of hard disk drives, logistics, customer service, and administration. Cash and cash equivalents, marketable securities, accounts receivable, intersegment receivables, deferred taxes, other current assets, intangible assets and other assets were not allocated to the business units.

Geographic Information

Revenue and long-lived assets by region are as follows (revenue is attributed to regions based on the location of customers):

<TABLE>
<CAPTION>

	Year Ended March 31,					
	1998		1999		2000	
	Revenue	Long-Lived Assets	Revenue	Long-Lived Assets	Revenue	Long-Lived Assets
	(In millions)					
United States	$2,114	$200	$1,630	$166	$1,470	$132
Europe	1,457	13	993	11	797	7
Singapore	417	3	350	2	344	1
Rest of Asia Pacific	969	21	521	25	630	20
Latin America	75	--	105	--	71	--
Total	$4,615	$237	$3,599	$204	$3,312	$160

</TABLE>

One customer accounted for 10% or more of the Hard Disk Drive group's combined revenue in fiscal years 1998, 1999 and 2000. Revenue from this customer represented $626 million, $506 million and $382 million of HDDG's combined revenue in the respective periods. Another customer accounted for 10% of more of combined revenue in fiscal years 1998 and 1999. Revenue from this customer represented $552 million and $375 million of HDDG's combined revenue in the respective periods. Another customer accounted for 10% or more of combined revenue in fiscal years 1999 and 2000. Revenue from this customer represented $367 million and $418 million of HDDG's combined revenue in the respective periods.

Note 16 Unaudited Quarterly Combined Financial Data

<TABLE>
<CAPTION>

	Year Ended March 31, 2000			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(In thousands, except per share data)			
Revenue	$752,491	$768,214	$889,024	$901,850
Gross profit (loss)	28,269	(34,843)	104,379	132,265
Net income (loss)	(43,184)	(83,687)	5,150	16,951
Net income (loss) per share:				
Basic	NA	(0.60)	0.06	0.20
Diluted	NA	(0.60)	0.06	0.20
Pro forma net loss per share:				
Basic	(0.52)	(1.01)	NA	NA
Diluted	(0.52)	(1.01)	NA	NA

<CAPTION>

	Year Ended March 31, 1999			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(In thousands, except per share data)			
Revenue	$847,321	$874,253	$959,086	$918,660
Gross profit	52,699	60,214	77,788	100,718
Net loss	(40,554)	(34,878)	(75,968)	(1,126)
Pro forma net loss per share:				
Basic	(0.51)	(0.46)	(0.92)	(0.01)
Diluted	(0.51)	(0.46)	(0.92)	(0.01)

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NA = Not applicable

Pro forma net loss per share for the Hard Disk Drive group assumes the recapitalization occurred at the beginning of the earliest period presented.

The results of operations for the second quarter of fiscal year 2000 included the effect of a $59 million special charge associated with the Hard Disk Drive group's streamlining of the logistics model, change in customer service strategy and consolidation of certain product development programs.

The results of operations for the third quarter of fiscal year 1999 included the effect of a $101 million charge related to the dissolution of MKQC.

Note 17 Subsequent Event (Unaudited)

In April 2000, both Quantum and ATL canceled their existing senior credit facilities and Quantum entered into two new unsecured senior credit facilities, each providing a $187.5 million revolving credit line and expiring in April 2001 and April 2003, respectively. At the option of Quantum, borrowings under the revolving credit lines will bear interest at either the London interbank offered rate or a base rate, plus a margin determined by a leverage ratio with option periods of one to six months.

HARD DISK DRIVE GROUP

SCHEDULE II

COMBINED VALUATION AND QUALIFYING ACCOUNTS

Classification (In thousands)	Balance at beginning of period	Additions (reductions) charged to expense	Deductions(i)	Balance at end of period
Allowance for doubtful accounts year ended:				
March 31, 1998...........	$ 8,912	$ 3,172	$(1,742)	$10,342
March 31, 1999...........	$10,342	$ 6,772	$(7,491)	$ 9,623
March 31, 2000...........	$ 9,623	$14,010	$(4,015)	$19,618

- --------
(i) Uncollectible accounts written off, net of recoveries.

EXHIBIT 3.2

Quantum Corporation

Amended and Restated Bylaws

(as amended through June 1, 2000)

History:
Adopted: August 4, 1999
Section 3.2 Amended, January 3, 2000

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AMENDED AND RESTATED BYLAWS

OF

QUANTUM CORPORATION

ARTICLE I

CORPORATE OFFICES

1.1 REGISTERED OFFICE

The registered office of the corporation shall be in the city of Dover, County of Kent, State of Delaware. The name of the registered agent of the corporation at such location is Incorporating Services, Ltd.

1.2 OTHER OFFICES

The Board of Directors may at any time establish other offices at any place or places where the corporation is qualified to do business.

ARTICLE II

MEETINGS OF STOCKHOLDERS

2.1 PLACE OF MEETINGS

Meetings of stockholders shall be held at any place, within or outside the State of Delaware, designated by the Board of Directors. In the absence of any such designation, stockholders' meetings shall be held at the registered office of the corporation.

2.2 ANNUAL MEETING

The Annual Meeting of Stockholders shall be held each year on a date and at a time designated by the Board of Directors. At the meeting, directors shall be elected and any other proper business may be transacted.

2.3 SPECIAL MEETING

A special meeting of the stockholders, may be called at any time by the Board of Directors, the Chairman of the Board, the President, or by one or more holders of shares entitled to cast not less than ten percent (10%) of the votes at the special meeting (determined as if the special meeting were held on the date the requesting stockholder submits a written request to the corporation for a special meeting).

If a special meeting is called by any person or persons other than the Board of Directors, the request shall be in writing, specifying the time of such meeting and the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the Chairman of the Board, the President, any vice president, or the Secretary of the corporation. No business may be transacted at such special meeting otherwise than specified in such notice. The officer receiving the request shall cause notice to be promptly given to the stockholders entitled to vote, in accordance with the provisions of Sections 2.4 and 2.7 of this Article II, that a meeting will be held not less than thirty-five (35) nor more than sixty (60) days after the receipt of the request. If the notice is not given within twenty (20) days after the receipt of the request, the person or persons requesting the meeting may give the notice. Nothing contained in this paragraph of this Section 2.3 shall be construed as limiting, fixing, or affecting the time when a meeting of stockholders called by action of the Board of Directors may be held.

2.4 NOTICE OF STOCKHOLDERS' MEETINGS

All notices of meetings with stockholders shall be in writing and shall be sent or otherwise given in accordance with Section 2.7 of these Bylaws not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting. The notice shall specify the place, date, and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called.

2.5 ADVANCE NOTICE OF STOCKHOLDER NOMINEES AND CUMULATIVE VOTING

Only persons who are nominated in accordance with the procedures set forth in this Section 2.5 shall be eligible for election as directors. Nominations of persons for election to the Board of Directors of the corporation may be made at a meeting of stockholders by or at the direction of the Board of Directors or by any stockholder of the corporation entitled to vote in the election of directors at the meeting who complies with the notice procedures set forth in this Section 2.5. Such nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the corporation. Timely notice shall also be given of any stockholder's intention to cumulate votes in the election of directors at a meeting. In either case, to be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive officers of the corporation not less than twenty (20) days nor more than sixty (60) days prior to the meeting; provided, however, that in the event less than thirty (30) days notice or prior public disclosure of the date of the meeting is given or made to

stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the tenth day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made. Such stockholder's notice shall set forth (a) as to each person, if any, whom the stockholder proposes to nominate for election or re-election as a director: (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, (iii) the class and number of shares of the corporation which are beneficially owned by such person, and (iv) any other information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including without limitation such person's written consent to being named in the proxy statement, if any, as a nominee and to serving as a director if elected); and (b) as to the stockholder giving the notice: (i) the name and address, as they appear on the corporation's books, of such stockholder, (ii) the class and number of shares of the corporation which are beneficially owned by such stockholder, and (iii) whether such stockholder intends to request cumulative voting in the election of directors at the meeting. At the request of the Board of Directors any person nominated by the Board for election as a director shall furnish to the Secretary of the corporation that information required to be set forth in the stockholder's notice of nomination which pertains to the nominee. No person shall be eligible for election as a director of the corporation unless nominated in accordance with the procedures set forth in this Section 2.5. The chairman of the meeting shall, if the facts warrant, determine and declare at the meeting that a nomination was not made in accordance with the procedures prescribed by these Bylaws, and if he should so determine, he shall so declare at the meeting and the defective nomination shall be disregarded.

2.6 ADVANCE NOTICE OF STOCKHOLDER BUSINESS

At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be: (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (c) otherwise properly brought before the meeting by a stockholder. For business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the corporation not less than sixty (60) days nor more than ninety (90) days prior to the meeting; provided, however, that in the event that less than seventy (70) days notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the tenth day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting: (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and address, as they appear on the corporation's books, of the stockholder proposing such business, (iii) the class and number of shares of the corporation which are beneficially owned by the stockholder, (iv) any material interest of the stockholder in such

business and (v) any other information that is required to be provided by the stockholder pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, in his capacity as a proponent of a stockholder proposal. Notwithstanding the foregoing, in order to include information with respect to a stockholder proposal in the proxy statement and form of proxy for a stockholders' meeting, stockholders must provide notice as required by the regulations promulgated under the Securities and Exchange Act of 1934, as amended. Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at any annual meeting except in accordance with the procedures set forth in this Section 2.6. The chairman of the annual meeting shall, if the facts warrant, determine and declare at the meeting that business was not properly brought before the meeting and in accordance with the provisions of this Section 2.6, and, if he should so determine, he shall so declare at the meeting that any such business not properly brought before the meeting shall not be transacted.

2.7 MANNER OF GIVING NOTICE; AFFIDAVIT OF NOTICE

Written notice of any meeting of stockholders, if mailed, is given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the corporation. An affidavit of the Secretary or an assistant secretary or of the transfer agent of the corporation that the notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

2.8 QUORUM

The holders of the shares of capital stock of the Corporation entitled to cast a majority of the votes entitled to be cast by holders of all outstanding shares of capital stock entitled to vote, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the Certificate of Incorporation. If, however, such quorum is not present or represented at any meeting of the stockholders, then either the chairman of the meeting or the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented. At such adjourned meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the meeting as originally noticed.

When a quorum is present at any meeting, the vote of the holders of the shares of capital stock having a majority of the voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes or of the Certificate of Incorporation, a different vote is required in which case such express provision shall govern and control the decision of the question.

2.9 ADJOURNED MEETING; NOTICE

When a meeting is adjourned to another time or place, unless these Bylaws otherwise require, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the corporation may transact

any business that might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

2.10 CONDUCT OF BUSINESS

The chairman of any meeting of stockholders shall determine the order of business and the procedures at the meeting, including such matters as the regulation of the manner of voting and the conduct of business.

2.11 VOTING; CUMULATIVE VOTING IN ELECTION OF DIRECTORS

The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Section 2.14 of these Bylaws, subject to the provisions of Sections 217 and 218 of the General Corporation Law of Delaware (relating to voting rights of fiduciaries, pledgors and joint owners of stock and to voting trusts and other voting agreements).

Except as provided in the Certificate of Incorporation of the Corporation or by statute or in the last paragraph of this Section 2.11, or as may be otherwise provided in the Certificate of Incorporation, each stockholder shall be entitled to one vote for each share of capital stock hold by such stockholder.

Every stockholder entitled to vote in any election of directors of this corporation may cumulate such stockholder's votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which the stockholder's shares are otherwise entitled, or distribute the stockholder's votes on the same principle among as many candidates as such stockholder thinks fit. No stockholder, however, may cumulate such stockholder's votes for one or more candidates unless (a) the names of such candidates have been properly placed in nomination, in accordance with these Bylaws, prior to the voting, (b) the stockholder has given advance notice to the corporation of the intention to cumulate votes pursuant to Section 2.5 of these Bylaws, and (c) the stockholder has given proper notice to the other stockholders at the meeting, prior to voting, of such stockholder's intention to cumulate such stockholder's votes. If any one stockholder has given proper notice, all stockholders may cumulate their votes any candidates who have been properly placed in nomination. The candidates receiving the highest number of votes of the shares entitled to be voted for them up to the number of directors to be elected by such shares shall be declared elected. Elections of directors need not be by written ballot, except upon demand made by a stockholder at the meeting and before the voting begins.

2.12 WAIVER OF NOTICE

Whenever notice is required to be given under any provision of the General Corporation Law of Delaware, the Certificate of Incorporation or these Bylaws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting,

except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice unless so required by the Certificate of Incorporation or these Bylaws.

2.13 STOCKHOLDER ACTION BY WRITTEN CONSENT WITHOUT A MEETING

Unless otherwise provided in the Certificate of Incorporation, any action required by these Bylaws or applicable laws to be taken at any annual or special meeting of stockholders of a corporation, or any action that may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice, and without a vote if a consent in writing, setting forth the action so taken, is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing. If the action which is consented to is such as would have required the filing of a certificate under any section of the General Corporation Law of Delaware if such action had been voted on by stockholders at a meeting thereof, then the certificate filed under such section shall state, in lieu of any statement required by such section concerning any vote of stockholders, that written notice and written consent have been given as provided in Section 228 of the General Corporation Law of Delaware.

2.14 RECORD DATE FOR STOCKHOLDER NOTICE; VOTING; GIVING CONSENTS

In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, nor more than sixty (60) nor less than ten (10) days prior to any other action.

If the Board of Directors does not so fix a record date:

(a) The record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

(b) The record date for determining stockholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is necessary, shall be the day on which the first written consent is expressed.

(c) The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

2.15 PROXIES

Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for him by a written proxy or proxy in such other form as may be authorized by the Corporation, signed by the stockholder and filed with the Secretary of the corporation, but no such proxy shall be voted or acted upon after three (3) years from its date, unless the proxy provides for a longer period. A proxy shall be deemed signed if the stockholder's name is placed on the proxy or otherwise clearly identified as giving the signatory authority of the stockholder or the stockholder's attorney-in-fact (whether by manual signature, typewriting, telegraphic transmission, electronic transmission via the Internet or similar means, telephonic confirmation or otherwise). The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212(c) of the General Corporation Law of Delaware.

2.16 LIST OF STOCKHOLDERS ENTITLED TO VOTE

The officer who has charge of the stock ledger of a corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. Such list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

ARTICLE III

DIRECTORS

3.1 POWERS

Subject to the provisions of the General Corporation Law of Delaware and any limitations in the Certificate of Incorporation or these Bylaws relating to action required to be approved by the stockholders or by the outstanding shares, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board of Directors.

3.2 NUMBER OF DIRECTORS

The Board of Directors shall consist of seven (7) persons. This may be changed by a duly adopted amendment to the Certificate of Incorporation or by an amendment to this Section 3.2 of these Bylaws adopted by the vote or written consent of the holders of the shares of capital stock entitled to cast a majority of the votes entitled to be cast by holders of all outstanding shares of capital stock entitled to vote or by resolution of a majority of the Board of Directors.

No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

3.3 ELECTION, QUALIFICATION AND TERM OF OFFICE OF DIRECTORS

Except as provided in Section 3.4 of these Bylaws, directors shall be elected at each annual meeting of stockholders to hold office until the next annual meeting. Directors need not be stockholders unless so required by the Certificate of Incorporation or these Bylaws, wherein other qualifications for directors may be prescribed. Each director, including a director elected to fill a vacancy, shall hold office until his successor is elected and qualified or until his earlier resignation or removal.

3.4 RESIGNATION AND VACANCIES

Any director may resign at any time upon written notice to the attention of the Secretary of the corporation. When one or more directors so resigns and the resignation is effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office as provided in this section in the filling of other vacancies.

Unless otherwise provided in the Certificate of Incorporation or these Bylaws:

(i) Vacancies and newly created directorships resulting from any increase in the authorized number of directors, elected by all of the stockholders having the right to vote as a single class, may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director.

(ii) Whenever the holders of any class or classes of stock or series thereof are entitled to elect one or more directors by the provisions of the Certificate of Incorporation, vacancies and newly created directorships of such class or classes or series may be filled by a

majority of the directors elected by such class or classes or series thereof then in office, or by a sole remaining director so elected.

A director elected or appointed to fill a vacancy shall serve until the next Annual Meeting of Stockholders or until a successor shall be elected and qualified.

3.5 PLACE OF MEETINGS; MEETINGS BY TELEPHONE

The Board of Directors of the corporation may hold meetings, both regular and special, either within or outside the State of Delaware.

Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, members of the Board of Directors, or any committee designated by the Board, may participate in a meeting of the Board of Directors, or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

3.6 REGULAR MEETINGS

Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the Board.

3.7 SPECIAL MEETINGS; NOTICE

Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the Chairman of the Board, the President, any vice president, the Secretary or any two (2) directors.

Notice of the time and place of special meetings shall be delivered personally or by telephone to each director or sent by first-class mail or telegram or other facsimile transmission, charges prepaid, addressed to each director at that director's address as it is shown on the records of the corporation. If the notice is mailed, it shall be deposited in the United States mail at least four (4) days before the time of the holding of the meeting. If the notice is delivered personally or by telephone or telegram, it shall be delivered personally or by telephone or to the telegraph company at least forty-eight (48) hours before the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated either to the director or to a person at the office of the director who the person giving the notice has reason to believe will promptly communicate it to the director. The notice need not specify the purpose or the place of the meeting, if the meeting is to be held at the principal executed office of the corporation.

3.8 QUORUM

At all meetings of the Board of Directors, a majority of the authorized number of directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except

as may be otherwise specifically provided by statute or by the Certificate of Incorporation. If a quorum is not present at any meeting of the Board of Directors, then the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

3.9 WAIVER OF NOTICE

Whenever notice is required to be given under any provision of the General Corporation Law of Delaware, the Certificate of Incorporation or these Bylaws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the directors, or members of a committee of directors, need be specified in any written waiver of notice unless so required by the Certificate of Incorporation or these Bylaws.

3.10 BOARD ACTION BY WRITTEN CONSENT WITHOUT A MEETING

Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the Board or committee.

3.11 FEES AND COMPENSATION OF DIRECTORS

Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, the Board of Directors shall have the authority to fix the compensation of directors. The directors may be paid their expenses, if any, of attendance of each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

3.12 APPROVAL OF LOANS TO OFFICERS

The corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the corporation or of its subsidiary, including any officer or employee who is a director of the corporation or its subsidiary, whenever, in the judgment of the directors, such loan, guaranty or assistance may reasonably be expected to benefit the corporation. The loan, guaranty or other assistance may be with or without interest and may be unsecured, or secured in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Nothing in this section contained shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute.

3.13 REMOVAL OF DIRECTORS

Unless otherwise restricted by statute, the Certificate of Incorporation or these Bylaws, any director or the entire Board of Directors may be removed, with or without cause, by the holders of the shares of capital stock of the Corporation entitled to cast a majority of the votes entitled to be cast by holders of all outstanding shares of capital stock entitled to vote in an election of directors; provided, however, that, so long as stockholders of the corporation are entitled to cumulative voting, if less than the entire board is to be removed, no director may be removed without cause if the votes cast against his removal would be sufficient to elect him if then cumulatively voted at an election of the entire Board of Directors.

ARTICLE IV

COMMITTEES

4.1 COMMITTEES OF DIRECTORS

The Board of Directors may, by resolution passed by a majority of the Board, designate one or more committees, with each committee to consist of one or more of the directors of the corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors establishing such committee or in the Bylaws of the corporation, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers that may require it; but no such committee shall have the power or authority to (i) amend the Certificate of Incorporation (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the Board of Directors as provided in Section 151(a) of the General Corporation Law of Delaware, fix any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the corporation), (ii) adopt an agreement of merger or consolidation under Sections 251 or 252 of the General Corporation Law of Delaware, (iii) recommend to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets, (iv) recommend to the stockholders a dissolution of the corporation or a revocation of a dissolution, or (v) amend the Bylaws of the corporation; and, unless the Board resolution establishing the committee, the Bylaws or the Certificate of Incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend, to authorize the issuance of stock, or to adopt a certificate of ownership and merger pursuant to Section 253 of the General Corporation Law of Delaware.

4.2 COMMITTEE MINUTES

Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

4.3 MEETINGS AND ACTIONS OF COMMITTEES

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Article III of these Bylaws, Section 3.5 (place of meetings and meetings by telephone), Section 3.6 (regular meetings), Section 3.7 (special meetings and notice), Section 3.8 (quorum), Section 3.9 (waiver of notice), and Section 3.10 (Board action by written consent without a meeting), with such changes in the context of those Bylaws as are necessary to substitute the committee and its members for the Board of Directors and its members; provided, however, that the time of regular meetings of committees may also be called by resolution of the Board of Directors and that notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The Board of Directors may adopt rules for the government of any committee not inconsistent with the provisions of these Bylaws.

ARTICLE V

OFFICERS

5.1 OFFICERS

The officers of the corporation shall be a President, a Secretary, and a Chief Financial Officer. The corporation may also have, at the discretion of the Board of Directors, a Chairman of the Board, one or more vice presidents, a treasurer, one or more assistant secretaries, one or more assistant treasurers, and any such other officers as may be appointed in accordance with the provisions of Section 5.3 of these Bylaws. Any number of offices may be held by the same person.

5.2 ELECTION OF OFFICERS

The officers of the corporation, except such officers as may be appointed in accordance with the provisions of Sections 5.3 or 5.5 of these Bylaws, shall be chosen by the Board of Directors, subject to the rights, if any, of an officer under any contract of employment.

5.3 SUBORDINATE OFFICERS

The Board of Directors may appoint, or empower the President to appoint such other officers and agents as the business of the corporation may require, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these Bylaws or as the Board of Directors may from time to time determine.

5.4 REMOVAL AND RESIGNATION OF OFFICERS

Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by the Board of Directors at any regular or special meeting of the board or, except in the case of an officer chosen by the Board of Directors, by any officer upon whom such power of removal may be conferred by the Board of Directors.

Any officer may resign at any time by giving written notice to the corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

5.5 VACANCIES IN OFFICES

Any vacancy occurring in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to that office.

5.6 CHAIRMAN OF THE BOARD

The Chairman of the Board, if such an officer be elected, shall, if present, preside at meetings of the Board of Directors and exercise and perform such other powers and duties as may from time to time be assigned to him by the Board of Directors or as may be prescribed by these Bylaws. If there is no President, then the Chairman of the Board shall also be the chief executive officer of the corporation and shall have the powers and duties prescribed in Section 5.7 of these Bylaws.

5.7 PRESIDENT

Subject to such supervisory powers, if any, as may be given by the Board of Directors to the Chairman of the Board, if there be such an officer, the President shall be the chief executive officer of the corporation and shall, subject to the control of the Board of Directors, have general supervision, direction, and control of the business and the officers of the corporation. He shall preside at all meetings of the stockholders and, in the absence or nonexistence of a Chairman of the Board, at all meetings of the Board of Directors. He shall have the general powers and duties of management usually vested in the office of president of a corporation and shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws.

5.8 VICE PRESIDENTS

In the absence or disability of the President, the vice presidents, if any, in order of their rank as fixed by the Board of Directors or, if not ranked, a vice president designated by the Board of Directors, shall perform all the duties of the President and when so acting shall have all the powers of, and be subject to all the restrictions upon, the President. The vice presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board of Directors, these Bylaws, the President or the Chairman of the Board.

5.9 SECRETARY

The Secretary shall keep or cause to be kept, at the principal executive office of the corporation or such other place as the Board of Directors may direct, a book of minutes of all meetings and actions of directors, committees of directors, and stockholders. The minutes shall show the time and place of each meeting, whether regular or special (and, if special, how authorized and the notice given), the names of those present at directors' meetings or committee meetings, the number of shares present or represented at stockholders' meetings, and the proceedings thereof.

The Secretary shall keep, or cause to be kept, at the principal executive office of the corporation or at the office of the corporation's transfer agent or registrar, as determined by resolution of the Board of Directors, a share register, or a duplicate share register, showing the names of all stockholders and their addresses, the number and classes of shares held by each, the number and date of certificates evidencing such shares, and the number and date of cancellation of every certificate surrendered for cancellation.

The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and of the Board of Directors required to be given by law or by these Bylaws. He shall keep the seal of the corporation, if one be adopted, in safe custody and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or by these Bylaws.

5.10 CHIEF FINANCIAL OFFICER

The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and shares. The books of account shall at all reasonable times be open to inspection by any director.

The Chief Financial Officer shall deposit all money and other valuables in the name and to the credit of the corporation with such depositories as may be designated by the Board of Directors. He shall disburse the funds of the corporation as may be ordered by the Board of Directors, shall render to the President and directors, whenever they request it, an account of all of his transactions as Chief Financial Officer and of the financial condition of the corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

5.11 REPRESENTATION OF SHARES OF OTHER CORPORATIONS

The Chairman of the Board, the President, any vice president, the Chief Financial Officer, the Secretary or assistant secretary of this corporation, or any other person authorized by the Board of Directors or the President or a vice president, is authorized to vote, represent, and exercise on behalf of this corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this corporation. The authority granted herein may be exercised by any

other person authorized to do so by proxy or power of attorney duly executed by such persons having the authority.

ARTICLE VI

INDEMNITY

6.1 THIRD PARTY ACTIONS

The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise (collectively, "Agent") against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

6.2 ACTIONS BY OR IN THE RIGHT OF CORPORATION

The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was an Agent of the corporation or serving at the request of the corporation against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue, or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

6.3 SUCCESSFUL DEFENSE

To the extent that an Agent of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 6.1 or 6.2 of this Article VI, or in

defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

6.4 DETERMINATION OF CONDUCT

Subject to any rights under any contract between this corporation and any Agent, any indemnification (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the Agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Sections 6.1 or 6.2 of this Article VI. Such determination shall be made (1) by the Board of Directors (or by an executive committee thereof) by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable, if a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the stockholders. Notwithstanding the foregoing, an Agent of the corporation shall be able to contest any determination that the director or officer has not met the applicable standard of conduct, set forth in Section 6.1 or 6.2 of this Article VI, by petitioning a court of appropriate jurisdiction.

6.5 PAYMENT OF EXPENSES IN ADVANCE

Expenses incurred in defending or settling a civil or criminal action, suit or proceeding by an individual who may be entitled to indemnification pursuant to Sections 6.1 or 6.2 of this Article VI shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors upon receipt of an undertaking by or on behalf of the director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized in this Article VI.

6.6 INDEMNITY NOT EXCLUSIVE

The indemnification and advancement of expenses provided by, or granted pursuant to, the other subparagraphs of this Article VI shall not be deemed exclusive of, and shall be subject to, any other rights to which those seeking indemnification or advancement of expenses may be entitled under any Bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office.

6.7 INSURANCE INDEMNIFICATION

The corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was an Agent of the corporation, or is or was serving at the request of the corporation as an Agent against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this Article VI.

6.8 THE CORPORATION

For purposes of this Article VI, references to "the corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger, so that any person who is or was an Agent of such constituent corporation, or is or was serving at the request of such constituent corporation as an Agent, shall stand in the same position under the provisions of this Article VI (including without limitation the provisions of Section 6.4 of this Agreement) with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

6.9 EMPLOYEE BENEFIT PLANS

For purposes of this Article VI, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the corporation" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the corporation" as referred to in this Article VI.

6.10 INDEMNITY FUND

Upon resolution passed by the Board of Directors, the corporation may establish a trust or other designated account, grant a security interest or use other means (including, without limitation, a letter of credit), to ensure the payment of any or all of its obligations arising under this Article and/or agreements which may be entered into between the corporation and its officers and directors from time to time.

6.11 INDEMNIFICATION OF OTHER PERSONS

The provisions of this Article VI shall not be deemed to preclude the indemnification of any person who is not an Agent, but whom the corporation has the power or obligation to indemnify under the provisions of the General Corporation Law of the State of Delaware or otherwise. The corporation may, in its sole discretion, indemnify an employee, trustee or other agent as permitted by the General Corporation Law of the State of Delaware. The corporation shall indemnify an employee, trustee or other agent where required by law.

6.12 SAVINGS CLAUSE

If this Article or any portion thereof shall be invalidated on any ground by any court of competent jurisdiction, then the corporation shall nevertheless indemnify each Agent against expense (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit, proceeding or investigation, whether civil, criminal or administrative, and whether internal or external, including a grand jury proceeding and an action or suit brought by or in the right

of the corporation, to the full extent permitted by any applicable portion of this Article that shall not have been invalidated or by any other applicable law.

6.13 CONTINUATION OF INDEMNIFICATION AND ADVANCEMENT OF EXPENSES

The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VI shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

ARTICLE VII

RECORDS AND REPORTS

7.1 MAINTENANCE AND INSPECTION OF RECORDS

The corporation shall keep, either at its principal executive office or at such place or places as designated by the Board of Directors, a record of its stockholders listing their names and addresses and the number and class of shares held by each stockholder, a copy of these Bylaws as amended to date, accounting books, and other records.

Any stockholder of record, in person or by attorney or other agent, shall, upon written demand under oath stating the purpose thereof, have the right during the usual hours for business to inspect for any proper purpose the corporation's stock ledger, a list of its stockholders, and its other books and records and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent is the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing that authorizes the attorney or other agent to so act on behalf of the stockholder. The demand under oath shall be directed to the corporation at its registered office in Delaware or at its principal place of business.

7.2 INSPECTION BY DIRECTORS

Any director shall have the right to examine the corporation's stock ledger, a list of its stockholders, and its other books and records for a purpose reasonably related to his position as a director. The Court of Chancery is hereby vested with the exclusive jurisdiction to determine whether a director is entitled to the inspection sought. The Court may summarily order the corporation to permit the director to inspect any and all books and records, the stock ledger, and the stock list and to make copies or extracts therefrom. The Court may, in its discretion, prescribe any limitations or conditions with reference to the inspection, or award such other and further relief as the Court may deem just and proper.

7.3 ANNUAL STATEMENT TO STOCKHOLDERS

The Board of Directors shall present at each annual meeting, and at any special meeting of the stockholders when called for by vote of the stockholders, a full and clear statement of the business and condition of the corporation.

ARTICLE VIII

GENERAL MATTERS

8.1 CHECKS

From time to time, the Board of Directors shall determine by resolution which person or persons may sign or endorse all checks, drafts, other orders for payment of money, notes or other evidences of indebtedness that are issued in the name of or payable to the corporation, and only the persons so authorized shall sign or endorse those instruments.

8.2 EXECUTION OF CORPORATE CONTRACTS AND INSTRUMENTS

The Board of Directors, except as otherwise provided in these Bylaws, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation; such authority may be general or confined to specific instances. Unless so authorized or ratified by the Board of Directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

8.3 STOCK CERTIFICATES; PARTLY PAID SHARES

The shares of the corporation shall be represented by certificates, provided that the Board of Directors of the corporation may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the corporation. Notwithstanding the adoption of such a resolution by the Board of Directors, every holder of stock represented by certificates and upon request every holder of uncertificated shares shall be entitled to have a certificate signed by, or in the name of the corporation by the Chairman of the Board, or the President or vice-president, and by the Chief Financial Officer, the treasurer or an assistant treasurer, or the Secretary or an assistant secretary of such corporation representing the number of shares registered in certificate form. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

The corporation may issue the whole or any part of its shares as partly paid and subject to call for the remainder of the consideration to be paid therefor. Upon the face or back of each stock certificate issued to represent any such partly paid shares, upon the books and records of the

corporation in the case of uncertificated partly paid shares, the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated. Upon the declaration of any dividend on fully paid shares, the corporation shall declare a dividend upon partly paid shares of the same class, but only upon the basis of the percentage of the consideration actually paid thereon.

8.4 SPECIAL DESIGNATION ON CERTIFICATES

If the corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the corporation shall issue to represent such class or series of stock; provided, however, that, except as otherwise provided in Section 202 of the General Corporation Law of Delaware, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate that the corporation shall issue to represent such class or series of stock a statement that the corporation will furnish without charge to each stockholder who so requests such a statement of the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

8.5 LOST CERTIFICATES

Except as provided in this Section 8.5, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the corporation and cancelled at the same time. The corporation may issue a new certificate of stock or uncertificated shares in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the corporation may require the owner of the lost, stolen or destroyed certificate, or his legal representative, to give the corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

8.6 CONSTRUCTION; DEFINITIONS

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the Delaware General Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a corporation and a natural person.

8.7 DIVIDENDS

The Board of Directors of the corporation, subject to any restrictions contained in the General Corporation Law of Delaware or the Certificate of Incorporation, may declare and pay dividends upon the shares of its capital stock. Dividends may be paid in cash, in property, or in shares of the corporation's capital stock.

The directors of the corporation may set apart out of any of the funds of the corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve. Such purposes shall include but not be limited to equalizing dividends, repairing or maintaining any property of the corporation, and meeting contingencies.

8.8 FISCAL YEAR

The fiscal year of the corporation shall be fixed by resolution of the Board of Directors and may be changed by the Board of Directors.

8.9 SEAL

The corporation may adopt and may subsequently alter the corporate seal and it may use the same by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

8.10 TRANSFER OF STOCK

Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate, and record the transaction in its books.

8.11 STOCK TRANSFER AGREEMENTS

The corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the corporation to restrict the transfer of shares of stock of the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the General Corporation Law of Delaware.

8.12 REGISTERED STOCKHOLDERS

The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner, shall be entitled to hold liable for calls and assessments the person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of another person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE IX

AMENDMENTS

The original or other Bylaws of the corporation may be adopted, amended or repealed by the stockholders entitled to vote; provided, however, that the corporation may, in its Certificate of Incorporation, confer the power to adopt, amend or repeal Bylaws upon the Board of Directors. The

fact that such power has been so conferred upon the Board of Directors shall not divest the stockholders of the power, nor limit their power to adopt, amend or repeal Bylaws.

EXHIBIT 10.69

EXECUTION VERSION

FIFTH AMENDMENT TO CREDIT AGREEMENT

1. Reference is made to that certain Credit Agreement dated as of June 6, 1997 (the "Credit Agreement"), as amended by that certain First Amendment to Credit Agreement dated as of June 26, 1998, as further amended by that certain Second Amendment to Credit Agreement dated as of December 18, 1998, as further amended by that certain Third Amendment to Credit Agreement dated as of August 31, 1999, and as further amended by that certain Fourth Amendment to Credit Agreement dated as of November 8, 1999, by and among Quantum Corporation, a Delaware corporation (the "Borrower"), each of the financial institutions listed in Schedule I to the Credit Agreement (individually, a "Bank" and, collectively, the "Banks"), Canadian Imperial Bank of Commerce, as administrative agent for the Banks (in such capacity, "Administrative Agent"), ABN AMRO Bank, N.V ("ABN"), and CIBC Inc., as co-arrangers for the Banks, ABN, as syndication agent for the Banks, Bank of America, N.A. (formerly known as Bank of America National Trust and Savings Association), as documentation agent for the Banks, and BankBoston, N.A., The Bank of Nova Scotia, Fleet National Bank and The Industrial Bank of Japan, Limited, as co-agents for the Banks (as amended, the "Credit Agreement").

2. The Banks executing this Amendment constituting Majority Banks hereby agree that, subject to the satisfaction of the conditions set forth in Paragraph 3 below, the Credit Agreement is hereby amended as follows:

(a) Subparagraph 5.02(f) of the Credit Agreement is hereby amended by changing clause (iv) thereof to read in its entirety as follows:

> (iv) Borrower may purchase Equity Securities pursuant to stock repurchase programs, provided that the aggregate payments under such programs do not exceed (A) during fiscal year 1999, twenty-three percent (23%) of Tangible Net Worth as determined as of the fiscal quarter ending March 31, 1998, (B) during fiscal year 2000, twenty percent (20%) of Tangible Net Worth as determined as of the fiscal quarter ending June 27, 1999 plus an additional one hundred twenty five million dollars ($125,000,000), and (C) during all other fiscal years until the Maturity Date, ten percent (10%) of Tangible Net Worth as determined as of the fiscal quarter immediately preceding the date of determination;

(b) Clause (ii) of Subparagraph 5.02(l) is hereby amended by (i) deleting the "." appearing at the end of Subclause (H) thereof and replacing it with a ";", and (ii) adding the following immediately after Subclause (H):

minus

> (I) An amount equal to the aggregate amount paid by Borrower during its fiscal year 2000 to repurchase its capital stock as permitted pursuant to the phrase "plus an additional one hundred twenty five million dollars ($125,000,000)" appearing in Subclause (B) of clause (iv) of Subparagraph 5.02((f).

3. The amendment effected by Paragraph 2 above shall become effective as of 5:00 p.m. Pacific Standard Time on January 14, 2000 (the "Effective Date"), subject to: (1) receipt by Orrick, Herrington & Sutcliffe LLP ("OH&S"), counsel to Administrative Agent, on or prior to the Effective Date, of a duly executed copy of this Amendment from Borrower and the Banks constituting the Majority Banks; and (2) receipt by Administrative Agent on behalf of each individual Bank

that executes this Amendment and delivers an executed copy of this Amendment to OH&S on or prior to the Effective Date of a non refundable amendment fee payable to each such Bank in the amount equal to 0.03% of each such Bank's respective Proportionate Share.

4. This Amendment shall be governed by and construed in accordance with the laws of the State of California without reference to conflicts of law rules.

IN WITNESS WHEREOF, the undersigned has caused this Amendment to be executed as of January 14, 2000.

QUANTUM CORPORATION

By: /s/ Andrew Kryder

Name: Andrew Kryder
Title: Vice President, Finance & General Counsel

EXHIBIT 12

QUANTUM CORPORATION

STATEMENT OF COMPUTATION OF RATIOS
OF EARNINGS TO FIXED CHARGES

<TABLE>
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	Year Ended March 31,				
	1996	1997	1998	1999	2000
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Income (loss) before income taxes	$(141,338)	$200,696	$230,815	$ (185)	$ 89,170
Add fixed charges	48,226	56,669	41,711	38,117	39,310
Earnings (as defined)	$ (93,112)	$257,365	$272,526	$37,932	$128,480
Fixed charges					
Interest expense	$ 35,904	$ 47,882	$ 32,753	$27,481	$ 28,385
Amortization of debt issuance costs	2,427	(i)	(i)	(i)	(i)
Estimated interest component of rent expenses	9,895	8,787	8,958	10,636	10,925
Total fixed charges	$ 48,226	$ 56,669	$ 41,711	$38,117	$ 39,310
Ratio of earnings to fixed charges	(ii)	4.5	6.5	(iii)	3.3

</TABLE>

- --------

(i) In 1997, 1998, 1999, and 2000, the amortization of debt issuance costs is included in interest expense.

(ii) Earnings (as defined) for fiscal year 1996 were insufficient to cover fixed charges by $141.3 million.

(iii) Earnings (as defined) for fiscal year 1999 were insufficient to cover fixed charges by $0.2 million.

EXHIBIT 21

QUANTUM CORPORATION

SUBSIDIARIES OF REGISTRANT

1. Quantum International Inc., a California corporation

2. Quantum International DISC Inc., a California corporation

3. Quantum Foreign Sales Corporation, a Barbados corporation

4. Quantum GmbH, a German corporation

5. Quantum Peripheral Products Ltd., a United Kingdom corporation

6. Quantum France SARL, a French corporation

7. Quantum Asia Pacific Pte. Ltd., a Singapore corporation

8. Quantum Peripherals Japan Corporation, a Japanese corporation

9. Quantum Data Storage B.V., a Netherlands corporation

10 Quantum Peripheral Products (Ireland) Ltd., an Ireland corporation

11. Quantum Peripherals (Europe) S.A., a Swiss corporation

12. Quantum Korea Corporation, a Korean corporation

13. Quantum Hong Kong Ltd., a Hong Kong corporation

14. Quantum Peripherals (Malaysia) Sdn. Bhd., a Malaysian corporation

15. Quantum Storage (Malaysia) Sdn. Bhd., a Malaysian corporation

16. Quantum Peripherals Realty Corporation, a Delaware corporation

17. ATL Products, Inc., a Delaware Corporation

18. Quantum Cayman Corporation

19. Quantum Snap Division Corporation

EXHIBIT 23.1

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 333-09983, 333-30623, 333-30627, 333-32691, 333-58193, 333-65043) pertaining to the 1996 Board of Directors Stock Option Plan, the 1993 Long-Term Incentive Plan, Employee Stock Purchase Plan of Quantum Corporation, and the 1996 and 1997 ATL Products, Inc. Stock Incentive Plan, and the Registration Statement (Form S-3, No. 333-29525) filed June 19, 1997, as amended on July 24, 1997, and related prospectus pertaining to the registration of debt securities, common stock, and rights of our reports dated April 24, 2000, with respect to the consolidated financial statements and schedule of Quantum Corporation, the combined financial statements and schedule of the DLT & Storage Systems group of Quantum Corporation and the combined financial statements and schedule of the Hard Disk Drive group of Quantum Corporation, included in Quantum Corporation's Annual Report (Form 10-K) for the year ended March 31, 2000.

/s/ Ernst & Young LLP

Palo Alto, California
June 26, 2000

EXHIBIT 23.2

INDEPENDENT ACCOUNTANTS' CONSENT

To the Members
MKE Quantum Components LLC:

We consent to the inclusion in the Annual Report on Form 10-K of Quantum Corporation of our report dated April 14, 1998, except for notes 6(b) and 12, which are as of June 5, 1998, with respect to the consolidated balance sheet of MKE Quantum Components, LLC and subsidiaries as of March 31, 1998, and the related consolidated statements of operations, members' equity, and cash flows for the period from May 16, 1997 (inception) through March 31, 1998, which report appears in Form 8-K of Quantum Corporation dated March 26, 1999.

/s/ KPMG LLP

Boston, Massachusetts
June 26, 2000

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
FINANCIAL STATEMENTS OF QUANTUM CORPORATION.
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<CURRENT-LIABILITIES>	854,247	682,005	700,236
<BONDS>	325,338	344,461	327,485
<PREFERRED-MANDATORY>	0	0	0
<PREFERRED>	0	0	0
<COMMON>	737,020	886,434	776,291
<OTHER-SE>	562,011	503,356	595,731
<TOTAL-LIABILITY-AND-EQUITY>	2,533,952	2,483,596	2,438,411
<SALES>	4,727,204	4,902,056	5,805,235
<TOTAL-REVENUES>	4,727,204	4,902,056	5,805,235
<CGS>	3,848,244	4,030,718	4,929,714
<TOTAL-COSTS>	3,848,244	4,030,718	4,929,714
<OTHER-EXPENSES>	802,393	727,099	580,136
<LOSS-PROVISION>	0	0	0
<INTEREST-EXPENSE>	28,385	27,481	32,753
<INCOME-PRETAX>	89,170	(185)	230,815
<INCOME-TAX>	48,326	29,350	60,014
<INCOME-CONTINUING>	40,844	(29,535)	170,801
<DISCONTINUED>	0	0	0
<EXTRAORDINARY>	0	0	0
<CHANGES>	0	0	0
<NET-INCOME>	40,844	(29,535)	170,801
<EPS-BASIC>	0<F1>	(0.18)	1.25
<EPS-DILUTED>	0<F2>	(0.18)	1.07

<FN>

<F1>	From April 1, 1999 through August 3, 1999:	
	Quantum EPS -- Primary	(0.10)
	From August 4, 1999 through March 31, 2000:	
	DSS Group EPS -- Primary	0.53
	HDD Group EPS -- Primary	(0.33)
<F2>	From April 1, 1999 through August 3, 1999:	
	Quantum EPS -- Diluted	(0.10)
	From August 4, 1999 through March 31, 2000:	
	DSS Group EPS -- Diluted	0.51
	HDD Group EPS -- Diluted	(0.33)

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<ARTICLE> 5
<LEGEND>
THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
FINANCIAL STATEMENTS OF QUANTUM CORPORATION
</LEGEND>
<MULTIPLIER> 1,000

<S>                             <C>                     <C>                     <C>
<PERIOD-TYPE>                   9-MOS                   6-MOS                   3-MOS
<FISCAL-YEAR-END>                          MAR-31-2000             MAR-31-2000             MAR-31-2000
<PERIOD-START>                             APR-01-1999             APR-01-1999             APR-01-1999
<PERIOD-END>                               DEC-26-1999             SEP-26-1999             JUN-27-1999
<CASH>                                         734,175                 689,010                 649,425
<SECURITIES>                                    16,601                  34,634                  33,426
<RECEIVABLES>                                  659,698                 602,679                 651,104
<ALLOWANCES>                                    23,144                  10,421                  12,126
<INVENTORY>                                    195,218                 273,647                 261,919
<CURRENT-ASSETS>                               263,359                 257,652               1,805,384
<PP&E>                                         516,646                 539,172                 581,716
<DEPRECIATION>                                 283,286                 267,542                 311,797
<TOTAL-ASSETS>                               2,413,851               2,457,799               2,340,681
<CURRENT-LIABILITIES>                          715,864                 718,332                 614,729
<BONDS>                                        325,627                 335,912                 337,690
<PREFERRED-MANDATORY>                                0                       0                       0
<PREFERRED>                                          0                       0                       0
<COMMON>                                       948,693                 936,867                 895,038
<OTHER-SE>                                     341,407                 388,343                 426,478
<TOTAL-LIABILITY-AND-EQUITY>                 2,413,851               2,457,799               2,340,681
<SALES>                                      3,461,914               2,208,359               1,083,235
<TOTAL-REVENUES>                             3,461,914               2,208,359               1,083,235
<CGS>                                        2,878,235               1,893,103                 903,316
<TOTAL-COSTS>                                2,878,235               1,893,103                 903,316
<OTHER-EXPENSES>                               539,047                 371,061                 160,350
<LOSS-PROVISION>                                     0                       0                       0
<INTEREST-EXPENSE>                              21,499                  14,426                   7,208
<INCOME-PRETAX>                                 23,133                (70,231)                  12,360
<INCOME-TAX>                                    21,609                (15,859)                   4,079
<INCOME-CONTINUING>                              1,524                (54,372)                   8,281
<DISCONTINUED>                                       0                       0                       0
<EXTRAORDINARY>                                      0                       0                       0
<CHANGES>                                            0                       0                       0
<NET-INCOME>                                     1,524                (54,372)                   8,281
<EPS-BASIC>                                          0<F1>                   0<F3>                0.05
<EPS-DILUTED>                                        0<F2>                   0<F4>                0.05

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<F1>  DSS Group EPS - Primary                         0.75
      HDD Group EPS - Primary                        (1.47)
<F2>  DSS Group EPS - Diluted                         0.72
      HDD Group EPS - Diluted                        (1.47)
<F3>  From June 28, 1999 through August 3, 1999:
         Quantum EPS - Primary                       (0.15)
      From August 4, 1999 through September 26, 2000:
         DSS Group EPS - Primary                      0.08
         HDD Group EPS - Primary                     (0.60)
<F4>  From June 28, 1999 through August 3, 1999:
         Quantum EPS - Diluted                       (0.15)
      From August 4, 1999 through September 26, 2000
         DSS Group EPS - Diluted                      0.07
         HDD Group EPS - Diluted                     (0.60)
</FN>


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<TABLE> <S> <C>

<ARTICLE> 5
<LEGEND>
THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
FINANCIAL STATEMENTS OF QUANTUM CORPORATION.
</LEGEND>
<MULTIPLIER> 1,000

<S>	<C>	<C>	<C>
<PERIOD-TYPE>	9-MOS	6-MOS	3-MOS
<FISCAL-YEAR-END>	MAR-31-1999	MAR-31-1999	MAR-31-1999
<PERIOD-START>	APR-01-1998	APR-01-1998	APR-01-1998
<PERIOD-END>	DEC-27-1998	SEP-27-1998	JUN-28-1998
<CASH>	683,011	549,446	496,371
<SECURITIES>	24,425	29,240	58,528
<RECEIVABLES>	676,061	673,999	674,825
<ALLOWANCES>	11,823	10,985	11,854
<INVENTORY>	259,042	295,799	317,826
<CURRENT-ASSETS>	1,855,466	1,763,553	1,765,813
<PP&E>	505,707	543,157	524,412
<DEPRECIATION>	278,922	256,909	236,967
<TOTAL-ASSETS>	2,393,568	2,128,804	2,153,016
<CURRENT-LIABILITIES>	663,711	607,578	603,983
<BONDS>	351,725	326,985	327,238
<PREFERRED-MANDATORY>	0	0	0
<PREFERRED>	0	0	0
<COMMON>	855,946	802,590	785,827
<OTHER-SE>	448,241	616,189	597,736
<TOTAL-LIABILITY-AND-EQUITY>	2,393,568	2,128,804	2,153,016
<SALES>	3,593,315	2,267,734	1,103,023
<TOTAL-REVENUES>	3,593,315	2,267,734	1,103,023
<CGS>	2,995,964	1,909,473	936,650
<TOTAL-COSTS>	2,995,964	1,909,473	936,650
<OTHER-EXPENSES>	662,088	316,070	155,570
<LOSS-PROVISION>	0	0	0
<INTEREST-EXPENSE>	20,136	13,227	6,502
<INCOME-PRETAX>	(84,873)	28,964	4,301
<INCOME-TAX>	1,403	8,689	1,291
<INCOME-CONTINUING>	(86,276)	20,275	3,010
<DISCONTINUED>	0	0	0
<EXTRAORDINARY>	0	0	0
<CHANGES>	0	0	0
<NET-INCOME>	(86,276)	20,275	3,010
<EPS-BASIC>	(0.54)	0.13	0.02
<EPS-DILUTED>	(0.54)	0.13	0.02

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