Overland Data Sells Entry-Level Tape Drive Designs to Seagate Removable Storage Solutions for Future Royalties; Updates Outlook for Fourth Quarter

June 18, 2001

SAN DIEGO, Jun 18, 2001 (BUSINESS WIRE) -- Overland Data, Inc. (Nasdaq:OVRL) today announced that it has signed an agreement to sell its Travan-based WS30 and EDT40 tape drive designs and related assets to Seagate Removable Storage Solutions (RSS) as part of the Company's plan to improve future profitability by eliminating operations and assets outside of Overland's core business.

As a result of the sale of the entry-level tape drive business, Overland will reduce pre-tax R&D expenses by approximately $2.0 million per year, and will record a non-recurring after-tax charge of approximately $1.4 million, or $0.13 per share, in the fourth quarter ending June 30, 2001.

Overland entered the low-end tape drive business in February 2000 through the acquisition of certain Tecmar assets and operations. This acquisition has resulted in the development of next-generation technologies but generated insignificant revenues to date.

Under the agreement announced today, Seagate will receive all intellectual property related to the WS30 and EDT40 tape drive designs and has the option to acquire certain fixed assets and inventories required to manufacture the products. Overland will receive royalty payments based on sales of the resulting tape drive products and related tape media cartridges.

In addition, the tape drives will utilize Overland's patented Variable Rate Randomizer (VR2(TM)) technology which will be embedded in an ASIC chip within the drives, and Seagate has entered into a supply agreement to purchase the VR2 chips from Overland.

In related actions, Overland also announced that it would write off the remaining balance of the optical jukebox design that it acquired in July 1999, and that it had settled two small lawsuits that had been pending for some time.

The Company expects that these actions, together with severance pay associated with the reduction in force previously announced on April 19, 2001, would amount to approximately $700,000, or $0.06 per share, in additional non-recurring charges for the fourth quarter.

Christopher Calisi, President and CEO of Overland, said, "Our agreement with Seagate is a win-win for both Seagate and Overland. Seagate is the dominant player in the Travan space and is well equipped to deliver next-generation Travan drives to the entry-level server market segment. As they are successful in deploying these product designs, Overland will receive a stream of royalty payments, as well as revenues from the sale of VR2 chips.

"Furthermore, all of our actions today help further my goal, since becoming Overland's President three months ago, to eliminate non-core business-related assets, increase the Company's profitability and focus on our core strength in the mid-range tape automation market. We believe that these actions, combined with the superior design and reliability of our new Neo(TM) Series of tape libraries, should position Overland well for the future.

"In addition, excluding the non-recurring charges associated with the actions announced today, we remain confident in our ability to meet current market expectations for earnings and revenues for the fourth quarter and fiscal year ending June 30, 2001."

Overland is a global supplier of innovative data storage and storage automation solutions for computer networks. The Company's award-winning DLT LibraryXpress(TM) SmartScale Storage(R) architecture has set the standard for intelligent automated storage and scalability and established Overland as a leader in the mid-range tape storage market.

Overland's patented Variable Rate Randomizer (VR2(TM)) data encoding technology, capable of substantially increasing the capacity and throughput of linear tape formats, has been licensed to Imation Corp., Seagate Removable Storage Solutions, StorageTek and Tandberg Data.

Overland products, acclaimed for their quality and reliability, are sold worldwide through leading OEMs, including Compaq, Fujitsu Siemens Computers, Groupe Bull, IBM and NCR, commercial distributors such as Bell Microproducts, Ingram Micro and Tech Data Corp., as well as storage integrators and value-added resellers.

Except for the factual statements made herein, the information contained in this news release consists of forward-looking statements that involve risks, uncertainties and assumptions that are difficult to predict. Words and expressions reflecting optimism and satisfaction with current prospects, as well as words such as "believe," "intends," "expects," "plans," "anticipates" and variations thereof, identify forward-looking statements, but their absence does not mean that a statement is not forward looking. Such forward-looking statements are not guarantees of performance and the Company's actual results could differ materially from those contained in such statements. Factors that could cause or contribute to such differences include unexpected shortages of critical components, rescheduling or cancellation of customer orders, loss of a major customer, the timing and market acceptance of new product introductions by the Company and its competitors, general competition and price pressures in the marketplace and the Company's ability to control costs and expenses. Reference is also made to other factors set forth in the Company's filings with the Securities and Exchange Commission, including the "Risk Factors," "Management's Discussion and Analysis" and other sections of the Company's Form 10-K for the most recently completed fiscal year. These forward-looking statements speak only as of the date of this release and the Company undertakes no obligation to publicly update any forward-looking statements to reflect new information, events or circumstances after the date of this release.

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