



Overland Storage Reports Fourth Quarter and Fiscal 2002 Results; Annual Revenues and Earnings Reach Record Levels

August 14, 2002

SAN DIEGO, Aug 14, 2002 /PRNewswire-FirstCall via COMTEX/ -- Overland Storage, Inc. (Nasdaq: OVRL) today reported fiscal 2002 fourth quarter and full year results. Revenues for the full 2002 fiscal year ended June 30, 2002 reached a record \$163.4 million compared to revenues of \$155.7 million for the prior fiscal year. Net income for the full 2002 fiscal year reached \$4.5 million compared to net income of \$2.5 million in fiscal 2001. On a per share fully diluted basis, net income was \$0.40 in fiscal 2002, compared to \$0.23 (including a non-recurring charge of \$0.20) in fiscal year 2001.

Revenues for the fiscal 2002 fourth quarter ended June 30, 2002 were \$35.0 million, compared to \$37.4 million in the fourth quarter of fiscal 2001. The net loss for the fourth quarter of fiscal 2002 was \$625,000, or \$0.06 per fully diluted share, compared to a net loss of \$1.5 million or \$0.14 per fully diluted share (including a non-recurring charge of \$0.20).

Christopher Calisi, President and CEO of Overland Storage, said: "Like virtually every company in the technology sector, our performance during this fiscal year was dampened by a challenging economic environment. Despite this, we are gratified at again being able to post record annual revenues and earnings, an achievement that reflects the dedication of the entire Overland team. We believe that the softness of the past quarter is temporary and that by the second half of our fiscal year 2003, revenues will not only recover, but should accelerate.

"As previously announced, our largest OEM customer, as a consequence of its merger, reevaluated its supplier base and selected Overland as its supplier of mid-range storage libraries. This decision not only maintains our relationship, but should serve to expand it in the months ahead. This customer is rapidly integrating two corporate structures; we believe the resulting entity will be a powerhouse in worldwide enterprise storage. In large part, we attribute our fourth quarter softness to an alignment of our customer's fiscal years, and to the demands of integrating two large corporations. Additionally, we experienced weakness in our international branded sales channels.

"In the fourth quarter, other areas of our business showed marked improvement. Having expanded our domestic branded sales force over the course of fiscal 2002, we are gratified to report record fourth quarter sales in this channel. This result reaffirms our commitment to building our channel to leverage the success of our Neo series of tape libraries introduced in March 2001.

"In June we launched a new family of software products designed to plan and manage data storage environments. We have received enthusiastic response from both our VAR partners and potential end-users. And, at this time both our internal sales team and the first wave of our VAR partners are trained and aggressively pursuing customers.

"Additionally, we are encouraged by the launch status of our licensees' products utilizing our VR2 technology. One of our more significant licensees began shipping in April, and another has indicated that shipping will commence later in 2002. Therefore, we expect a sizable contribution to earnings in fiscal 2003.

"Earlier this year and with the goal of balancing our business, we very deliberately and opportunistically embarked on a strategy to develop additional OEM relationships. As announced in early July 2002, we have already secured one new OEM customer, and continue discussions with others. This progress further confirms the appeal of our products, due both to high quality and a superior feature set, as well as our growing leadership position in the mid-range sector.

"Regarding the specifics of our outlook for fiscal 2003, the first half of the year will be difficult. It will be characterized by the aforementioned transition at our largest OEM customer, including the phase-out of its predecessor products. We expect, however, that the second half of the fiscal year will be a period of strong growth for Overland, reflecting the ramps of both the incremental business at our largest OEM customer as well as shipments to our new OEM customer. Furthermore, we expect continued growth throughout the year from our branded sales channels and improving contributions from VR2 licensing revenues. We believe that these factors should combine to result in sequential quarterly growth in total revenues of approximately 8%, 20%, 20% and 14%, respectively, through the four quarters of fiscal 2003, or 28% growth for the year as a whole.

"We also expect that gross margins will improve sequentially during fiscal 2003, partially offset by increased operating expenses. Increased expenses will include expanded support of our OEM customers, promotion of our new software business and increased development costs for new products. At the net income line, we expect to sustain a small loss in the first quarter of fiscal 2003 that should be slightly less than the loss in our fiscal 2002 fourth quarter. We further expect the second quarter to be profitable, nearing \$0.07 per share, then moving to approximately \$0.20 and \$0.36 in the third and fourth quarters, respectively. This represents approximately 50% growth in earnings for fiscal 2003."

Mr. Calisi concluded: "We are more optimistic now than ever before about our long-term future and the opportunities that lie ahead. We believe the investment we are making in ramping production for our new OEM customers will enable us to realize significant volume increases expected in the second half of fiscal 2003. We think our position sets us apart from the competition, and we hope to benefit even further when the economic environment improves."

About Overland Storage

Overland Storage, Inc. (Nasdaq: OVRL) is a leading global supplier of innovative hardware and software storage solutions for mid-range computer networks. The company's reputation for delivering high availability products, including its award-winning automated storage libraries and the industry's

first family of fully open storage management software solutions, sets the standard for intelligent, automated and scalable storage. Overland sells its products worldwide through leading OEMs, commercial distributors, storage integrators and value-added resellers. On June 28, 2002, the company changed its name from Overland Data, Inc. For more information, visit Overland's Web site at www.overlandstorage.com.

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 economic conditions, technology spending levels, 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, including the launch of the company's new software business unit, its competitors or its licensees, the timing and amount of licensing royalties, 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.

Webcast: A live audio Webcast of Overland's management conference call discussing fourth quarter and fiscal year 2002 results and the outlook for fiscal year 2003 will be held beginning at 10:30 a.m. EDT, August 14, 2002, and will be posted at www.overlandstorage.com. Please provide adequate time to log on. Following the broadcast, the conference call will be archived for future access on Overland's website.

For further information, please contact: Vernon A. LoForti, CFO, vloforti@overlandstorage.com, or Cynthia A. Bond, Director of Corporate Communications, cbond@overlandstorage.com, both of Overland Storage, Inc.

OVERLAND STORAGE, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(In thousands, except per share data)

	Three Months Ended		Twelve Months Ended	
	June 30,		June 30,	
	2002	2001	2002	2001
	(Unaudited)			
Net revenues	\$34,953	\$37,365	\$163,380	\$155,696
Cost of revenues	25,642	29,954	120,935	116,662
Gross profit	9,311	7,411	42,445	39,034
Operating expenses:				
Sales and marketing	6,605	4,324	20,963	16,392
Research and development	1,391	2,540	6,553	10,093
General and administrative	2,077	2,718	8,413	8,850
Total expenses	10,073	9,582	35,929	35,335
Operating (loss) income	(762)	(2,171)	6,516	3,699
Interest income, net	28	123	269	473
Other (expense) income, net	(210)	(550)	54	(156)
(Loss) income before income taxes	(944)	(2,598)	6,839	4,016
Income taxes	(319)	(1,091)	2,346	1,522
Net (loss) income	\$(625)	\$(1,507)	\$4,493	\$2,494
(Loss) earnings per share:				
Basic	\$(0.06)	\$(0.14)	\$0.42	\$0.24
Diluted	\$(0.06)	\$(0.14)	\$0.40	\$0.23
Shares used in computing earnings per share:				
Basic	10,814	10,494	10,641	10,382
Diluted	10,814	10,494	11,271	10,884

OVERLAND STORAGE, INC.
SELECTED BALANCE SHEET INFORMATION
(In thousands)

June 30,	June 30,
2002	2001

ASSETS		
Cash and equivalents	\$26,884	\$10,844
Accounts receivable, net	21,391	24,090
Inventories	17,503	23,329
Other current assets	5,555	6,376
Total current assets	71,333	64,639
Property, plant and equipment, net	9,171	4,795
Other assets	499	737
Total assets	\$81,003	\$70,171
LIABILITIES & EQUITY		
Current liabilities	\$16,870	\$17,640
Long-term debt	3,879	--
Other long-term liabilities	988	852
Shareholders' equity	59,266	51,679
Total liabilities and equity	\$81,003	\$70,171

MAKE YOUR OPINION COUNT - Click Here
<http://tbutton.prnewswire.com/prn/11690X26171916>

SOURCE Overland Storage, Inc.

CONTACT: Vernon A. LoForti, CFO, vloforti@overlandstorage.com, or
Cynthia A. Bond, Director of Corporate Communications,
cbond@overlandstorage.com, both of Overland Storage, Inc.

URL: <http://www.overlandstorage.com>
<http://www.prnewswire.com>

Copyright (C) 2002 PR Newswire. All rights reserved.