



## Overland Storage Reports First Quarter Fiscal 2003 Results

October 17, 2002

SAN DIEGO, Oct 17, 2002 /PRNewswire-FirstCall via COMTEX/ -- Overland Storage, Inc. (Nasdaq: OVRL) today reported revenue and net income for the first quarter of fiscal 2003 in line with preliminary results announced on Oct. 4, 2002.

For the quarter ended Sept. 30, 2002, Overland reported revenue of \$34.5 million compared to revenue of \$40.0 million in the first quarter of the prior fiscal year. The net loss for the first quarter of fiscal year 2003 totaled \$557,000, or \$0.05 per share, compared to net income of \$1,050,000, or \$0.10 per diluted share, in the first quarter of the prior fiscal year.

As previously announced, results were lower than expected due to continuing transitional issues at the Company's major OEM customer. Conversely, the Company's branded sales channel posted strong results for the quarter and initial royalties were earned from the recent product launch by one of its high-profile VR2 licensees. The Company also reported that it already has a strong backlog of orders for the upcoming product launch by its newest OEM customer.

Christopher Calisi, President and CEO of Overland Storage, said: "We believe we are now in the final stretch of the transitional period at our largest OEM customer. Since its merger announcement in May, we have anticipated an approximate six-month transitional phase. We continue to control spending during this transition, while preserving our ability to deliver the higher production volumes we anticipate. This customer has recently notified us that the supply of its predecessor product has already been depleted in certain geographies, which means that it is selling our products sooner than expected. This development and the expected integration of the OEM's sales and marketing organizations indicate that we should begin to see strong demand from this customer in the second half of our fiscal year.

"We continue to be pleased with the performance of our branded sales channel, especially in Europe, which was up sequentially in a normally slow summer quarter. Our newest OEM customer expects to launch our products during our second fiscal quarter, and we are gratified by the building backlog of orders. We have now posted our first software sales, and are working aggressively to build a customer pipeline.

"Regarding the specifics of our outlook for the remainder of fiscal 2003, we anticipate second quarter revenues in the range of \$36 to \$39 million with an earnings range from breakeven to \$0.04 per diluted share. By January we should be out of the transition mode and receiving the benefit of new business from our OEM customers. For the third quarter, we anticipate revenues in the \$45 to \$50 million range with earnings per share in the range of \$0.11 to \$0.17. By our fourth quarter, we anticipate to report record results with revenues in the \$54 to \$59 million range and earnings per share of \$0.23 to \$0.28."

Mr. Calisi concluded, "Despite the difficult economic times, we are in a strong position to take greater market share this fiscal year. We are well positioned to accomplish our corporate goals with new and expanding OEM customers, our growing branded business and increasing VR2 royalties."

### 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](http://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 continuing transitional issues at the Company's major OEM customer, 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, the company's ability to control costs and expenses and general economic conditions. 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 first quarter 2003 results and the outlook for the remainder of the fiscal year will be held beginning at 10:30 a.m. EST, Oct. 17, 2002, and will be posted at [www.overlandstorage.com](http://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 Web site.

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

	Three Months Ended	
	September 30,	
	2002	2001
	(Unaudited)	
Net revenues	\$34,540	\$39,972
Cost of revenues	25,528	30,649
Gross profit	9,012	9,323
Operating expenses:		
Sales and marketing	6,051	4,207
Research and development	1,694	1,627
General and administrative	2,151	2,126
Total expenses	9,896	7,960
Operating (loss) income	(884)	1,363
Interest income, net	68	108
Other income, net	(34)	222
(Loss) income before income taxes	(850)	1,693
Income taxes	(293)	643
Net (loss) income	\$(557)	\$1,050
(Loss) earnings per share:		
Basic	\$(0.05)	\$0.10
Diluted	\$(0.05)	\$0.10
Shares used in computing earnings per share:		
Basic	11,024	10,525
Diluted	11,024	10,760

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

	September 30,	June 30,
	2002	2002
	(unaudited)	
ASSETS		
Cash and equivalents	\$24,941	\$26,884
Accounts receivable, net	22,275	21,391
Inventories	17,493	17,503
Other current assets	6,931	5,555
Total current assets	71,640	71,333
Property, plant and equipment, net	8,778	9,171
Other assets	583	499
Total assets	\$81,001	\$81,003
LIABILITIES & EQUITY		
Current liabilities	\$17,117	\$16,870
Long-term debt	3,724	3,879
Other long-term liabilities	1,232	988
Shareholders' equity	58,928	59,266
Total liabilities and equity	\$81,001	\$81,003

Make Your Opinion Count - Click Here  
<http://tbutton.prnewswire.com/prn/11690X53745433>

SOURCE Overland Storage, Inc.

CONTACT: Vernon A. LoForti, CFO, [vloforti@overlandstorage.com](mailto:vloforti@overlandstorage.com), or Cynthia A. Bond, Director of Corporate Communications, [cbond@overlandstorage.com](mailto:cbond@overlandstorage.com), both of Overland Storage, +1-858-571-5555 URL: <http://www.overlandstorage.com> <http://www.prnewswire.com>

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