



## Overland Data Reports Results for First Quarter of Fiscal Year 2000; Sales to Compaq Tracking Ahead of Original Expectations

October 21, 1999

SAN DIEGO--(BUSINESS WIRE)--Oct. 21, 1999--Overland Data Inc. (Nasdaq:OVRL) today reported operating results for the first quarter of its fiscal year 2000, including significant growth in its LibraryXpress(TM) business driven primarily by strong shipments to Compaq (NYSE:CPQ).

For the three months ended September 30, 1999, Overland reported net income of \$39,000, or breakeven per share, after a one-time pretax charge of approximately \$250,000, or slightly greater than \$.01 per share on an after-tax basis, for the recent settlement of a class action securities lawsuit (Marucci v. Overland Data, Inc., et al.).

Without this charge, the company's net income would have been \$185,000, or \$.02 per share. This compares to net income of \$1,348,000, or \$.12 per share, for the first quarter of fiscal year 1999. Revenues for the first quarter of fiscal year 2000 totaled \$22,845,000 compared to \$24,372,000 during the first quarter of the prior fiscal year.

Overland reported that sales of its DLT LibraryXpress products to Compaq during the first quarter of fiscal year 2000 exceeded the company's internal forecasts, grew by 83% over the first quarter of fiscal year 1999 and approximately doubled as compared to the immediately preceding fourth quarter of fiscal year 1999.

Overland had been a supplier to DEC before its acquisition by Compaq, and commenced shipping to Compaq under a new OEM supply agreement announced June 14, 1999. Overland's LibraryXpress is replacing a predecessor product that is being phased out by Compaq over the six months ending December 31, 1999.

The transition is resulting in a ramp-up of sales during the first two quarters of Overland's fiscal year 2000, and beginning in its third quarter ending March 31, 2000, sales should no longer be restrained by the phase-out of the predecessor product. Based on the experience of this first quarter, Overland now sees potential upside to its original expectations for sales to Compaq in fiscal year 2000 and beyond.

On an overall basis, sales in the first quarter of fiscal year 2000 of Overland's DLT-based LibraryXpress family of products, including shipments to Compaq, grew by 51% over the same quarter in the prior year. Total first quarter sales were down this year in comparison to the prior year primarily because shipments of Overland's more mature 36-track products in the prior year to one OEM customer were exceptionally large.

Sales of this product line represented 37% of total sales in the first quarter of fiscal 1999, but represented only 11% of sales in the first quarter of fiscal 2000. Additionally, the prior year included approximately \$1.3 million in revenues from Overland's 18-track and 9-track products which were discontinued in fiscal 1999.

The company's gross margin of 27% for the first quarter of fiscal year 2000 was down from 30% in the same quarter of the prior year due to the larger percentage of the ramping Compaq business and to reduced overhead absorption due to a relatively lower level of 36-track production.

Total operating expenses increased year-to-year due in part to the inclusion of the one-time charge for the settlement of the lawsuit. Also contributing to first quarter 2000 operating expenses were higher research and development spending for the initiation of new product development programs and increased sales and marketing expenditures in support of the company's future growth.

"While we are not satisfied with our overall results for the first quarter, and are disappointed with the level of sales of our 36-track products, we are highly enthusiastic about the level of business with Compaq during the first full quarter of sales under our supply agreement, and with our outlook for future Compaq deliveries," stated Scott McClendon, president and CEO of Overland Data.

"We continue to expect sales of LibraryXpress products to Compaq to increase substantially over the level of previous OEM sales to DEC. Increasingly, the LibraryXpress is replacing the predecessor product in Compaq's system and, based on current order levels, we anticipate the possibility of exceeding our original estimate of doubling fiscal year 1999 DLT sales to DEC."

"We were also pleased this quarter with the results in several other areas of our business," stated McClendon. "Sales in Europe and Asia Pacific grew 17% over the prior year. We signed Ingram Micro Inc. (NYSE:IM) as our newest commercial distributor and sales to them are growing nicely. We began shipping an SLR loader product which is sold on an OEM basis to Tandberg Data ASA."

"More recently, we were among the first to ship products with the new Quantum DLT 8000 drives. Our Variable Rate Randomizer (VR2) development programs with Tandberg and through Imation Corp. (NYSE:IMN) to the Travan Manufacturers Association are going well. We expect an on-going stream of royalty and chip sales beginning in the second half of fiscal year 2000."

Added McClendon: "In order to generate additional revenue growth in the future, we are increasing our R&D spending to develop next generation DLT products and designing new products based on other technologies including SDLT, LTO and AIT."

"We expect to soon be able to announce an additional partnership for VR2 and a related development project which will help us maximize the value of this unique technology and make it a standard in the marketplace. We remain optimistic about achieving strong revenue growth and another record year in fiscal year 2000."

Overland is a global supplier of storage automation solutions and related technologies designed to meet and surpass the critical requirements of

high-availability network computing environments, from entry level to the enterprise. The company is a recognized leader in technology innovation and product reliability. Its award-winning products meet the critical needs of end users, distributors and OEMs in industries worldwide.

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, Y2K, 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. -0-

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

	Three Months Ended	
	September 30	
	1999	1998
	(Unaudited)	
Net sales	\$ 22,845	\$ 24,372
Cost of goods sold	16,603	16,956
Gross profit	6,242	7,416
Operating expenses:		
Sales and marketing	3,132	2,789
Research and development	1,599	1,368
General and administrative	1,618	1,321
Total expenses	6,349	5,478
Operating income (loss)	(107)	1,938
Interest income, net	175	236
Other income (loss), net	(4)	35
Income before income taxes	64	2,209
Income taxes	25	861
Net income	\$ 39	\$ 1,348
Earnings per share:		
Basic	\$ 0.00	\$ 0.13
Fully-diluted	\$ 0.00	\$ 0.12
Shares used in computing earnings per share:		
Basic	10,073	10,540
Fully-diluted	10,574	10,895

OVERLAND DATA INC.  
SELECTED BALANCE SHEET INFORMATION  
(In thousands)

	Sept. 30, 1999	June 30, 1999
	(unaudited)	
ASSETS		
Cash and equivalents	\$ 16,061	\$ 16,199
Accounts receivable, net	12,437	13,885
Inventories	18,268	17,704
Other current assets	3,605	3,511

Total current assets	50,371	51,299
Property, plant and equipment, net	4,491	4,657
Other assets	331	274
 Total assets	 \$ 55,193	 \$ 56,230
 LIABILITIES & EQUITY		
Current liabilities	\$ 9,224	\$ 10,318
Long-term debt	--	--
Other liabilities	1,209	1,105
Shareholders' equity	44,760	44,807
 Total liabilities and equity	 \$ 55,193	 \$ 56,230

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