



Overland Storage Announces Plan to Outsource its Manufacturing

September 21, 2004

SAN DIEGO, Sept. 21 /PRNewswire-FirstCall/ -- Overland Storage, Inc. (Nasdaq: OVRL) today announced that in order to enhance its strategic competitiveness and increase its flexibility it will outsource its manufacturing operations.

Over the next nine months, Overland will outsource all of its manufacturing and certain related activities to Sanmina-SCI Corporation (Nasdaq: SANM). Approximately 140 Overland employees at its San Diego facility, representing about one-third of its total workforce, will be affected and will receive severance packages. Overland and Sanmina-SCI expect to finalize the definitive outsourcing agreement in the next 30 days.

"I want to thank our operations team for all their hard work, and sincerely regret their displacement," said Christopher Calisi, president and CEO. "As a result of their efforts, we have gained a reputation for quality products and our operations are certified by some of the best OEMs in the world. Over the past few years, this team has succeeded in significantly reducing the total cost of our NEO tape automation solutions. And, they have achieved these reductions in spite of the burden of the expensive economic environment in San Diego."

Overland expects to incur between \$2.5 million and \$3.0 million of pretax charges during the remainder of fiscal year 2005 related to the outsourcing decision. In fiscal year 2006, the company expects to realize important cost savings from outsourcing.

About Overland Storage

For almost 25 years, Overland Storage has delivered world-class data protection solutions designed to ensure business continuity. Focused on backup and recovery, Overland's data protection solutions include the REO(TM) family of disk-based backup and recovery appliances and the award-winning NEO SERIES(R) of tape libraries. Overland sells its products worldwide through leading OEMs, commercial distributors, storage integrators and value-added resellers. For more information, visit Overland's website 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 production problems, delays, unbudgeted expenses and inefficiencies that may result from the transition of manufacturing to Sanmina-SCI, difficulty of predicting sales to 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 company's new REO products, 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 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.

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SOURCE Overland Storage, Inc.

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CO: Overland Storage, Inc.; Sanmina-SCI Corporation

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