

{ 570,264,247,532,125,838,317,736,403,113,714,415,832,080,779,418,009 YOTTABYTES* }

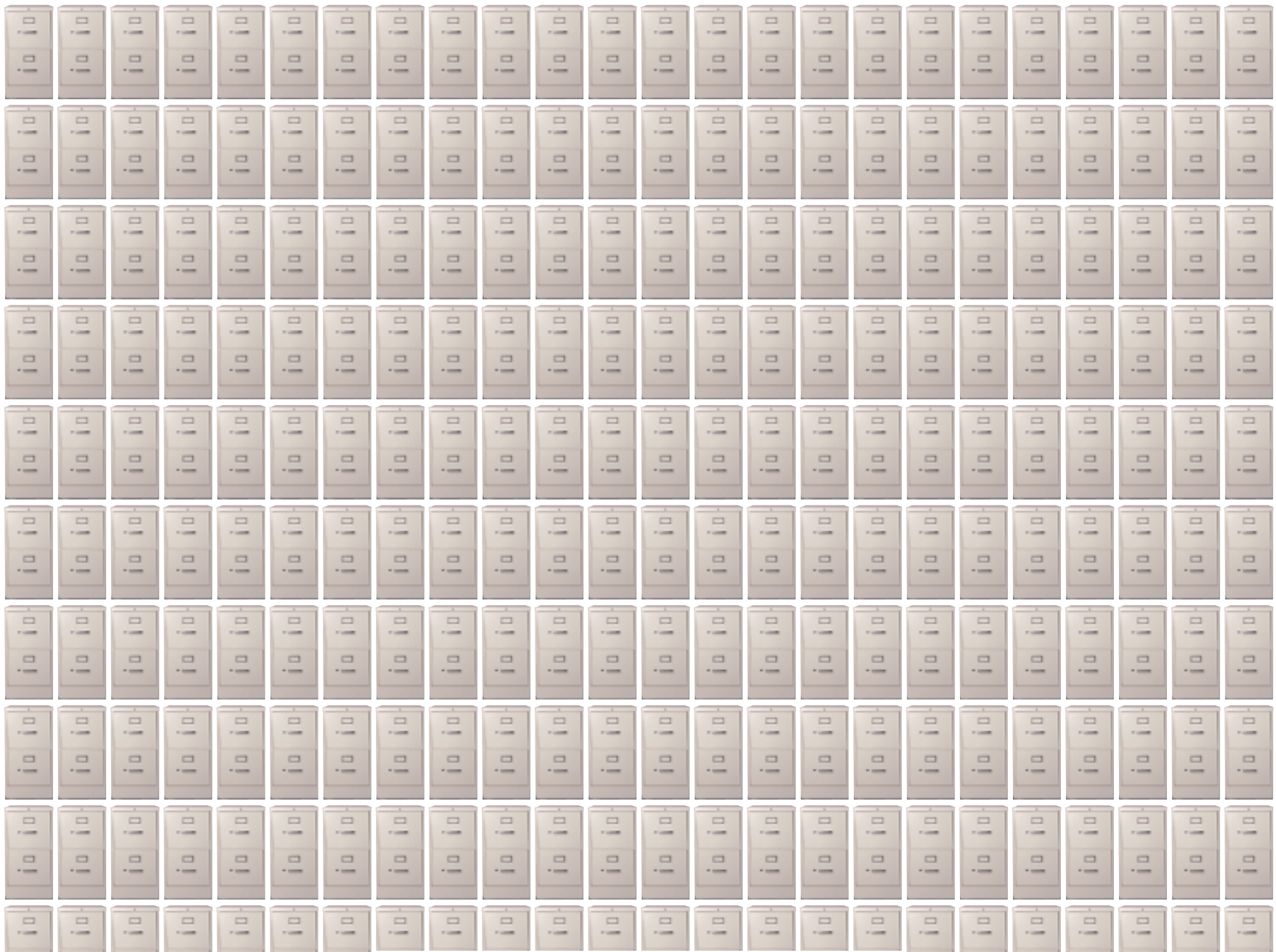
THINKING OUTSIDE THE BOX

Overland Data (NASDAQ: OVRL) IS HELPING PEOPLE MANAGE THE GROWING CHALLENGE OF DATA STORAGE, BACKUP AND RETRIEVAL. A **leading innovator** IN STORAGE AUTOMATION SOLUTIONS FOR COMPUTER NETWORKS, OVERLAND OFFERS A BROAD LINE OF PRODUCTS THAT ADDRESS MARKET APPLICATIONS RANGING FROM THE ENTRY-LEVEL TO THE ENTERPRISE ENVIRONMENT. FOUNDED IN 1980, THE COMPANY IS KNOWN TODAY AS A MARKET LEADER FOR ITS **award-winning** DLT LIBRARYXPRESS™ SMARTSCALE STORAGE® ARCHITECTURE THAT ESTABLISHED NEW STANDARDS FOR INTELLIGENT AUTOMATED STORAGE AND SCALABILITY. OVERLAND PRODUCTS, ACCLAIMED FOR THEIR **quality and reliability**, ARE SOLD WORLDWIDE THROUGH LEADING OEMS, INCLUDING COMPAQ, IBM, SIEMENS AND GROUPE BULL, COMMERCIAL DISTRIBUTORS SUCH AS INGRAM MICRO, TECH DATA CORP. AND BELL MICROPRODUCTS, AS WELL AS STORAGE INTEGRATORS AND VALUE-ADDED RESELLERS. IN FISCAL YEAR 1999, OVERLAND DATA RECORDED ITS **19th consecutive year of record revenues.**

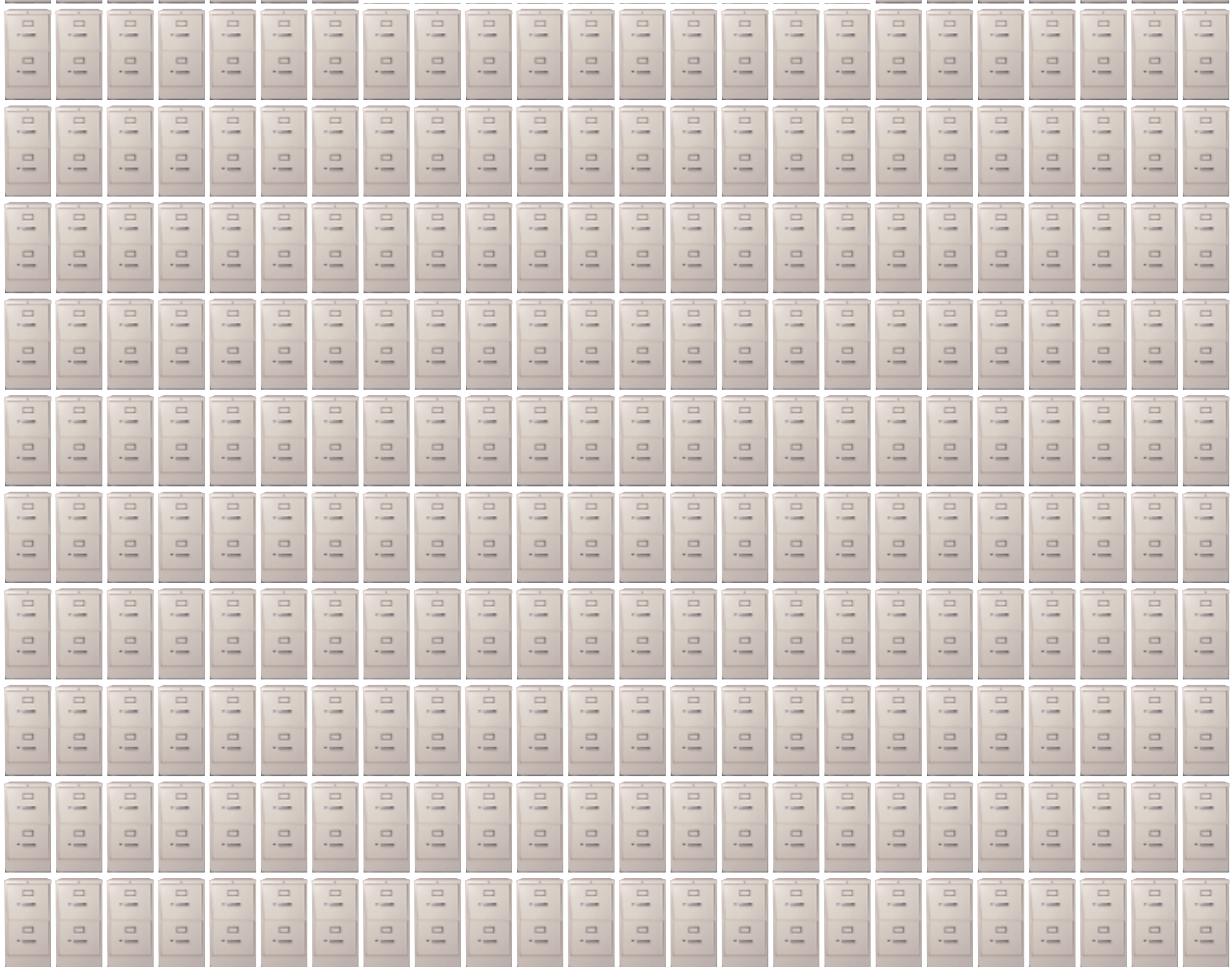
Market demand for storage

is exploding, driven by increased use of data intensive applications such as the Internet, e-mail, networking, graphics, and voice and video. Not only is demand for storage capacity growing rapidly, so is the speed with which data is transferred and accessed. Never before have we been so highly dependent on the ability to store, protect and retrieve critical data, and to do so with confidence that the data will be there, when and where we need it. Demand for reliable, rapidly accessible data storage is growing at all levels of the market – be it at the high-end enterprise level, the mid-range department level, the entry-level workgroup, or the SOHO (small office, home office) market.

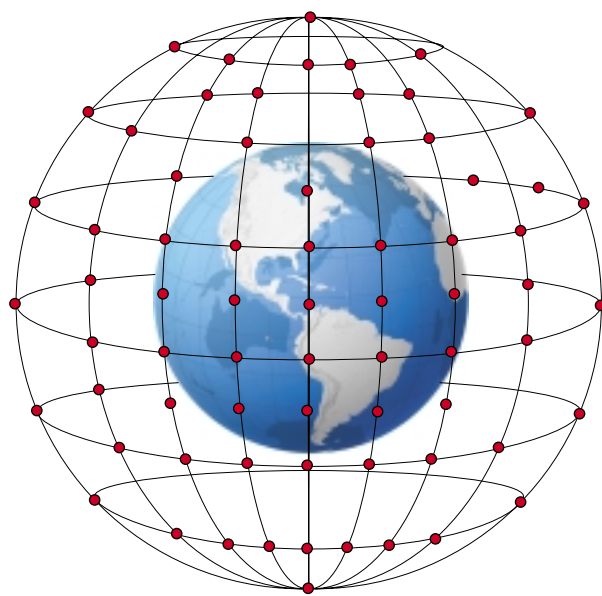
In response, Overland is applying “out of the box thinking” to the design and development of innovative storage solutions that extend beyond its core market focus, with the goal of creating shareholder value by meeting, indeed staying ahead of, emerging market needs and opportunities.



1 petabyte = 80,000,000,000 file drawers



INCREASED DATA



There are currently over 200 petabytes of information on distributed networks in the world. Each petabyte is the equivalent of 1,000 terabytes. **One terabyte holds the equivalent of the information that would be stored in 40 million two-drawer file cabinets.** That equals enough information to fill 16 trillion file drawers. Or at least it was at last count. By the time you read this page, enough data will have been generated to fill another 600,000 drawers.

INCREASED CAPACITY



Given the tidal wave of data being generated today, what was once a manageable annoyance has now become a beastly burden. Total disk capacity shipped in calendar year 1995 was a mere 15 petabytes. In the year 2000, total disk capacity shipped is expected to exceed 400 petabytes. If stored on paper, that would equate to two trillion pounds, or the equivalent of a herd of 200 million lumbering elephants. By the year 2002, total disk capacity shipped is expected to reach 1,300 petabytes, equating to a compound annual growth rate of 90% since 1995.





INCREASED SPEED



One of the factors driving the proliferation of data today is the fact that computer processing speeds are doubling every 18 months. **In order to facilitate the rapid storage and retrieval of larger volumes of data, data transfer speeds also are increasing.** For example, the transfer rate of tape drives is doubling every year, and is expected to increase from 12 MB/second in 1999 to over 160 MB/second in 2003 . . . faster than a speeding bullet!

FOLLOWING THE WORLD TRADE CENTER BOMBING IN NEW YORK CITY, OVER 50% OF THE BUSINESSES THAT DID NOT HAVE OFF-SITE DATA RECOVERY WENT OUT OF BUSINESS. AFTER THE SAN FRANCISCO EARTHQUAKE, 60% OF THE BUSINESSES THAT COULD NOT RESTORE DATA IN TWO WEEKS FAILED. CHANCES ARE, HOWEVER, MOST BUSINESSES WON'T LOSE THEIR DATA TO A DISASTER. IN FACT, ODDS ARE CONSIDERABLY GREATER THAT DATA WILL BE LOST TO SIMPLE HARDWARE FAILURE OR POWER LOSS. AND PROBABLY AT THE WORST POSSIBLE TIME. CLEARLY, GIVEN THE POTENTIAL RISKS, RELIABLE STORAGE AND RETRIEVAL OF VITAL DATA IS ESSENTIAL IN TODAY'S HIGHLY COMPETITIVE BUSINESS WORLD.



{ 570,264,247,532,125,838,317,736,403,113,714,415,832,080,779,418,009 YOTTABYTES, PROTECTED }



TO OUR SHAREHOLDERS

Frank R. Kirchoff
VICE PRESIDENT OF SALES

Robert J. Scroop
VICE PRESIDENT OF ENGINEERING



FISCAL YEAR 1999 HIGHLIGHTS

Revenues grew 23% to \$92.2 million, as net income increased to \$4.0 million, up 48% on a per share basis to \$.37 per share.

New OEM agreement signed with Compaq expected to drive revenue in fiscal year 2000, and beyond.

Sales of DLTtape-based LibraryXpress™ family of products up 41% over last year.

Multiple new products introduced, including MinilibraryXpress™, EnterpriseXpress™ and Web TLC™.

Storage Area Network (SAN) initiative launched with fibre channel connectivity.

Proprietary Variable Rate Randomizer (VR²)™ technology advanced with Tandberg and Imation.

Today's rapidly changing digital world is no place to stand still. To continue Overland's record of success, we must step out of our comfort zone and challenge who we are and what we do. That is the spirit of this year's annual report. While fiscal year 1999 was a very successful year for Overland, highlighted by record revenues and net income and by the signing of a major new OEM agreement with Compaq Computer Corporation, we recognize that we must continue to "think outside the box" if we are to remain a market leader.

A HISTORY OF INNOVATION

Throughout our history, Overland has been an innovative, forward-looking company. Over the years, we have brought multiple "firsts" to the storage industry. In the 1980s, we pioneered the PC-based data interchange market and developed the first controller card and software that allowed personal computers to connect to 9-track tape drives and exchange data with mainframes and

minicomputers. We then introduced the first truly desktop-based 9-track tape drive, and subsequently introduced 18- and 36-track product lines. In the mid-1990s, with the advent of the highly popular DLTtape technology, we were one of the first distributors of DLTtape drives. We then introduced the revolutionary modular LibraryXpress™, the first truly scalable library that allows users to expand their storage capacity and performance as their needs grow. More recently, we developed our proprietary Variable Rate Randomizer (VR²)™ data encoding technology that significantly increases the native capacity and performance of existing linear tape technologies without requiring any changes to tape heads and media.

INNOVATIVE NEW PRODUCTS

Today, the same creative drive and spirit that led to these and other industry advancements is alive and well at Overland. In fiscal year 1999 we introduced several new products, including the MinilibraryXpress™,

a cost-effective high-performance solution for workgroup storage needs, as well as the EnterpriseXpress™, a modular system that meets the needs of the enterprise environment with up to seven terabytes of capacity. We also introduced Web TLC™ (Total Library Control), a software-embedded product that enables remote operation and management of our tape libraries and autochangers from anywhere in the world using any Internet browser, and we embarked on fibre channel connectivity and Storage Area Network (SAN) initiatives centered around our award-winning DLTtape libraries and autoloaders. These initiatives enable us to capitalize on the emerging SAN and Network Attached Storage (NAS) opportunities.

During fiscal year 1999, 63.4% of Overland's revenues were from sales of our DLTtape-based family of products, up from 56.5% in the prior year. Growth in sales of DLTtape-based products, as well as future sales of products based on alternative storage

technologies, is important to Overland as demand for our mature legacy products has declined. As we entered fiscal year 2000, for example, our mature 9-track and 18-track products had been fully phased out. In addition, while sales of our 36-track products were up 24% during fiscal year 1999 due to OEM demand, we anticipate that overall market demand for these products will decline in the future as they continue to mature.

NEW TECHNOLOGIES

Fundamental to new product development, of course, is the development and adoption of new technologies. Overland's significant capabilities in software, firmware, mechanical, electrical, and interface technologies, coupled with real-world applications testing, enables us to deliver products that consistently exceed customer expectations. This ability is demonstrated in our breakthrough VR² technology, introduced in December 1997. VR² can enable linear tape drive manufacturers to

W. Michael Gawarecki
VICE PRESIDENT OF OPERATIONS

Teresa L. Baltao
DIRECTOR OF HUMAN RESOURCES

Martin D. Gray
CO-FOUNDER AND
CHIEF TECHNICAL OFFICER



decrease time to market for next-generation tape drives by extending their current product lines without substantial investment in engineering or increase in cost. In April 1998, Tandberg Data ASA of Oslo, Norway became the first to license the technology for incorporation into its products and has since made considerable progress on its development program. In fiscal year 1999 we announced a license agreement with Imation to bring VR² to the Travan NS tape platform, leading to the generation of VR²-based revenues for the first time. We currently expect to generate an on-going stream of royalty and chip sale revenue from VR² by the end of calendar year 1999.

In addition to our VR² development programs, we are building on our technical capability to deliver robotics for alternative storage formats. We have now introduced a SLR loader product which is sold on an OEM basis to Tandberg, and are preparing to come forth in the near future with products based on AIT (Sony), SDLT (Quantum) and LTO (IBM, HP and Seagate) tape drives. We also have acquired optical storage robotics technology. As a result, we believe we are well-positioned to take advantage of emerging opportunities in the marketplace, and plan to support that positioning with continued investments in research and development.

NEW DISTRIBUTION PARTNERS

In addition to our technology partnerships with Tandberg and Imation, we continue to build valuable relationships with channel partners that will provide increased distribution support to Overland's products. It is our intent to enhance the Overland brand through the commercial distribution channel to complement our strong OEM business. In early July, we announced the addition of Ingram Micro as a major commercial distribution partner for Overland, adding to our existing partnerships with Tech Data and Bell Microproducts. Our field sales force continues working to expand the universe of storage integrators and value-added resellers who serve our end-user customers.

NEW OEM AGREEMENT WITH COMPAQ

A major event in fiscal year 1999 was the signing of our new agreement with Compaq. Under this agreement, we are supplying to Compaq our LibraryXpress family of four DLTape-based products, including both the DLT 4000 and 7000-based LibraryXpress. These products are being private labeled by Compaq and are marketed as scalable storage solutions in support of the Compaq line of ProLiant™ servers for the entry-level and departmental storage automation markets.

Compaq is number one in the storage market today, with 22.6% share in

“WE PLAN TO ACHIEVE CONTINUED GROWTH BY INTRODUCING NEW PRODUCTS AND TECHNOLOGIES, BY ESTABLISHING ADDITIONAL DISTRIBUTION PARTNERSHIPS, AND BY PURSUING POTENTIAL STRATEGIC INITIATIVES TARGETING EMERGING STORAGE MARKET OPPORTUNITIES.”

1998 vs. 14.3% for IBM, 11.6% for EMC and 7% for SUN. Compaq also has the number one position in the mid-range server market. Its ProLiant line of servers, for example, has an installed base of approximately two million units, and Compaq's goal is to be number one in tape automation in that market.

The Compaq agreement expands on our previous OEM relationship with Digital Equipment Corporation (DEC), acquired by Compaq in 1998, in three ways. First, it adds our DLT 4000-based LibraryXpress, which we did not supply to DEC. That in itself should be significant because Compaq is the number one seller of DLTape drives in the world today and a large portion of DLTape drives sold by Compaq are 4000s. Second, the agreement adds the scalable building blocks that

we did not supply to DEC. That is significant because the scalable architecture is one of the key value-added features of our LibraryXpress product line. The third and most significant way in which this agreement expands our relationship with Compaq is that it adds the full Compaq field sales force to the former DEC sales channel, and the products will be supported on the full line of ProLiant servers.

We view our OEM agreement with Compaq as a significant endorsement of the quality of our products and the strength of our positioning in the marketplace. We are working with Compaq in a mutually supportive manner in order to maximize the potential of our relationship. Compaq is providing considerable support to its server storage product line

Steven E. Richardson
VICE PRESIDENT OF MARKETING

Vernon A. LoForti
VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER



"WE EXPECT THE SIGNING OF OUR OEM AGREEMENT WITH COMPAQ COMPUTER CORPORATION TO MAKE A VERY SIGNIFICANT CONTRIBUTION TO OUR FINANCIAL RESULTS IN FISCAL YEAR 2000 AND BEYOND."

through extensive marketing and technical support information provided on its Internet site, and through an aggressive advertising campaign emphasizing its strong position in the storage market and its commitment to that market. In addition to Compaq's marketing efforts, Overland is hard at work to ensure that these new products are well-supported. Compaq has applauded our efforts in this regard as exemplary. We are excited to add Compaq to our existing base of OEM customers, including IBM, Siemens, Groupe Bull, NCR and Intergraph, each of which contributed to our success in fiscal year 1999.

FUTURE OUTLOOK AND STRATEGY

We are pleased with our record performance in fiscal year 1999, and with the market's continued strong acceptance of our growing line of award-winning DLTtape-based LibraryXpress products. At the same

time, we plan to pursue additional growth opportunities with strategic initiatives targeting emerging storage market areas.

In the past, Overland has focused primarily on the mid-range segment of the data storage market. Demand for data storage is growing rapidly at all levels of the market, however, from the high-end enterprise level to the entry-level workgroup and SOHO market. As a result, we see significant potential for Overland outside of our core market, and plan to migrate further from the mid-range segment in pursuit of additional market opportunities. Our entry into the enterprise market in fiscal year 1999 offers initial evidence of this strategy. We also are targeting additional geographic markets, specific vertical market applications, and new distribution channels that could enable us to access additional end-user customers.

As we look ahead to fiscal year 2000 and beyond, we believe we are well-positioned for growth. We continue to benefit from growing sales of our DLTtape-based products. Our OEM relationships are growing well, and our expanding distribution channel program is expected to support sales of our present and future product lines. New products based on DLTtape and new technologies for Overland should expand our presence as an industry leading provider of automation solutions. And, through more aggressive participation in the commercialization of VR², we plan to bring value conscious options to the tape backup market. As a result, we are optimistic about our outlook for the future.

On behalf of the entire Overland management team, we thank our employees for their significant contributions over the past year and for their continued dedication going forward. We also express our appreciation to our development and distribution partners for their vote of confidence in our ability to execute, and to our investors for their continued support and interest in Overland.

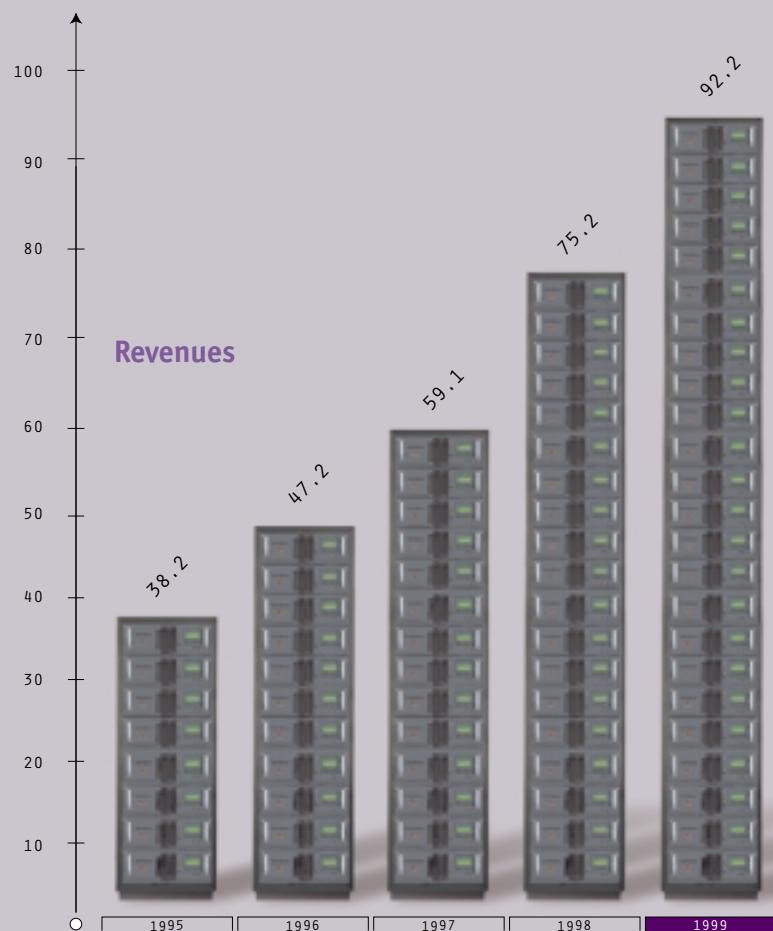
Sincerely,

Scott McClendon
PRESIDENT AND CHIEF EXECUTIVE OFFICER



FINANCIAL HIGHLIGHTS

(\$ IN MILLIONS)



(\$ IN THOUSANDS)



Overland Data, Inc.

YEARS ENDED JUNE 30

Operations (\$000)

| | 1995 | 1996 (A) | 1997 | 1998 | 1999 |
|--------------------------------|----------|----------|----------|----------|----------|
| Net sales | \$38,156 | \$47,226 | \$59,146 | \$75,164 | \$92,227 |
| Gross profit | 11,115 | 16,081 | 20,371 | 23,199 | 27,891 |
| Research and development | 3,076 | 3,697 | 4,125 | 4,093 | 5,373 |
| Operating income | 980 | 3,541 | 4,736 | 3,640 | 5,614 |
| Interest and other income, net | (210) | (128) | 251 | 903 | 967 |
| Pretax income | 770 | 3,413 | 4,987 | 4,543 | 6,581 |
| Net income | 501 | 2,162 | 3,100 | 2,792 | 3,982 |

Asset Management (\$000)

| | 1995 | 1996 | 1997 | 1998 | 1999 |
|---|--------|--------|----------|----------|----------|
| Cash and equivalents | \$ 101 | \$ 19 | \$18,926 | \$15,550 | \$16,199 |
| Receivables | 6,300 | 7,226 | 11,151 | 15,683 | 13,885 |
| Inventories | 5,356 | 8,425 | 12,101 | 16,077 | 17,704 |
| Working capital | 6,430 | 10,307 | 36,733 | 39,498 | 40,981 |
| Fixed assets | 2,062 | 2,128 | 3,499 | 4,207 | 4,657 |
| Capital expenditures | 670 | 841 | 2,308 | 2,088 | 1,914 |
| Depreciation/amortization | 725 | 862 | 1,050 | 1,479 | 1,462 |
| Total assets | 14,453 | 19,771 | 48,260 | 53,996 | 56,230 |
| Long-term debt | 1,400 | 1,500 | — | — | — |
| Shareholders' equity, including preferred stock | 7,334 | 11,058 | 40,317 | 43,368 | 44,807 |

Performance Indicators

| | 1995 | 1996 | 1997 | 1998 | 1999 |
|------------------------------------|-------|-------|-------|-------|-------|
| Gross margin | 29.1% | 34.1% | 34.4% | 30.9% | 30.2% |
| Operating return on sales | 2.6% | 7.5% | 8.0% | 4.8% | 6.1% |
| Pretax return on sales | 2.0% | 7.2% | 8.4% | 6.0% | 7.1% |
| Net return on sales | 1.3% | 4.6% | 5.2% | 3.7% | 4.3% |
| Return on average equity | 7.1% | 23.5% | 12.1% | 6.7% | 9.0% |
| Return on average capital employed | 6.2% | 20.3% | 11.7% | 6.7% | 9.0% |
| Average receivable days | 52 | 52 | 57 | 65 | 59 |
| Inventory turns | 4.9 | 4.5 | 3.8 | 3.7 | 3.8 |

Share & Per Share Information (000 except per share amounts)

| | 1995 | 1996 | 1997 | 1998 | 1999 |
|---|---------|---------|---------|---------|---------|
| Number of shares outstanding at year-end | 6,946 | 7,399 | 10,435 | 10,549 | 10,090 |
| Shares used in computing net income per share | 7,412 | 7,666 | 9,294 | 11,069 | 10,652 |
| Net income per share (diluted) | \$ 0.07 | \$ 0.28 | \$ 0.33 | \$ 0.25 | \$ 0.37 |
| Equity per share at year-end | \$ 1.06 | \$ 1.49 | \$ 3.86 | \$ 4.11 | \$ 4.44 |
| Ending cash and equivalents per share | \$ 0.01 | \$ 0.00 | \$ 1.81 | \$ 1.47 | \$ 1.61 |

(A) FISCAL 1996 NET INCOME, NET RETURN RATIOS AND EARNINGS PER SHARE DATA EXCLUDE THE EFFECT OF A NON-RECURRING INCOME TAX CREDIT OF \$997,000

Note: THE FINANCIAL CHARTS ON THIS PAGE USE A VISUAL PLAY ON THE SCALABILITY OF OVERLAND PRODUCTS, AND ARE NOT INTENDED TO SHOW THE ACTUAL POTENTIAL CONFIGURATION OF THOSE PRODUCTS.

