



For Immediate Release

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Crossroads Systems Announces Q1'08 Results

AUSTIN, Texas—February 29 2008—Crossroads Systems, Inc. (OTC Pink Sheets: CRDS), a leading provider of business information assurance solutions for secure storage and data protection, today announced results for its fiscal first quarter ended January 31, 2008 (Q1'08).

Revenue totaled \$5.5 million for Q1'08 compared to \$6.7 million in the fiscal fourth quarter ended October 31, 2007 (Q4'07). Product revenue totaled \$2.8 million for Q1'08 compared to \$1.8 million for Q4'07. In addition, revenue from IP license, royalty and other totaled \$2.7 million for Q1'08 compared to \$4.9 million for Q4'07. Gross profit was \$4.5 million, or 82 percent for Q1'08, compared to \$5.4 million, or 81 percent for Q4'07. Net loss for Q1'08 was \$1.2 million, or \$0.04 cents loss per share, compared to a net loss of \$2.3 million, or \$0.08 cents loss per share in Q4'07.

To learn more about Crossroads' financial information, please visit:
<http://www.crossroads.com/InvestorRelations/>

About Crossroads Systems, Inc.

Headquartered in Austin, Texas, Crossroads Systems is a global leading provider of data security, resiliency and connectivity solutions. Crossroads (symbol: CRDS) trades over-the-counter on Pink Sheets and posts its financial disclosure reports, press releases and other related documentation on the OTCIQ web service of the Pink Sheets Web Site.

Forward-Looking Statements

This release may include forward-looking statements. The words "believe," "expect," "intend," "plan," "project," "will" and similar phrases as they relate to Crossroads are intended to identify such forward-looking statements. These statements reflect the current views and assumptions of Crossroads and are subject to various risks and uncertainties that could cause actual results to differ materially from expectations.

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* See Tables Attached*

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CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES**CONDENSED CONSOLIDATED BALANCE SHEETS**

(Unaudited)
(In Thousands)

	October 31, 2007	January 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 9,261	\$ 9,649
Accounts receivable, net	4,555	4,858
Inventories, net	407	179
Prepays and other current assets	81	618
Total current assets	14,304	15,304
Property and equipment, net	1,989	1,787
Intangible, net.....	3,927	3,643
Investment in Subsidiaries.....	6,946	6,662
Goodwill.....	3,264	3,264
Other assets	127	43
Total assets	<u>\$ 30,557</u>	<u>\$ 30,703</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,914	\$ 1,621
Accrued expenses	4,685	4,361
Accrued warranty costs	45	37
Deferred revenue	1,586	1,628
Line of Credit	-	2,024
Total current liabilities	8,230	9,671
Long-term liabilities.....	2,619	2,379
Stockholders' equity	19,708	18,653
Total liabilities and stockholders' equity	<u>\$ 30,557</u>	<u>\$ 30,703</u>

CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In Thousands, Except Share and Per Share Data)

	Three Months Ended	
	January 31,	
	2007	2008
Revenue:		
Product.....	\$ 1,794	\$ 2,814
IP License, royalty and other	2,960	2,678
Total revenue	<u>4,754</u>	<u>5,492</u>
Cost of revenue:		
Product.....	770	530
IP License, royalty and other	106	454
Total cost of revenue	<u>876</u>	<u>984</u>
Gross profit	<u>3,878</u>	<u>4,508</u>
Operating expenses:		
Sales and marketing	1,466	1,759
Research and development	3,023	2,985
General and administrative	484	594
FAS 123R and stock based compensation.....	227	176
Business restructuring expense.....	-	-
Amortization of intangibles.....	351	268
Total operating expenses	<u>5,551</u>	<u>5,782</u>
Income (Loss) from operations	(1,673)	(1,274)
Interest income.....	178	49
Net Income (Loss).....	<u>\$ (1,495)</u>	<u>\$ (1,225)</u>
Basic net gain (loss) per share.....	(0.05)	(0.04)
Shares used in computing:		
Basic net gain (loss) per share	<u>27,798,031</u>	<u>28,154,311</u>
Total Shares Outstanding	<u>28,154,311</u>	<u>28,154,311</u>

CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	Three Months Ended	
	January 31,	
	<u>2007</u>	<u>2008</u>
Cash flows from operating activities:		
Net loss.....	\$ (1,495)	\$ (1,225)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation.....	286	256
Amortization of intangibles.....	351	284
Loss on disposal of fixed assets	-	1
Stock-based compensation.....	-	-
FAS 123R expense.....	227	176
Provision for doubtful accounts receivable.....	(24)	66
Provision for excess and obsolete inventory.....	16	81
Changes in assets and liabilities:		
Accounts receivable.....	603	(517)
Inventories.....	(32)	147
Prepays and other current assets.....	116	(397)
Accounts payable.....	(568)	(300)
Accrued expenses and other.....	(597)	(165)
Net cash used in operating activities.....	<u>(1,117)</u>	<u>(1,593)</u>
Cash flows from investing activities:		
Purchase of property and equipment.....	(284)	(56)
Purchase of held-to-maturity investments.....	-	-
Maturity of held-to-maturity investments.....	3,955	-
Investment in privately-held company.....	(174)	-
Net cash provided by (used in) investing activities.....	<u>3,497</u>	<u>(56)</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock.....	500	-
Proceeds from Borrowing on Line of Credit.....	-	2,024
Change in book overdraft.....	-	-
Net cash provided by financing activities.....	<u>500</u>	<u>2,024</u>
Effect of Exchange Rate on Cash.....	-	13
Net increase (decrease) in cash and cash equivalents.....	2,880	388
Cash and cash equivalents, beginning of period.....	12,321	9,261
Cash and cash equivalents, end of period.....	<u>\$ 15,201</u>	<u>\$ 9,649</u>