



## For Immediate Release

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## Crossroads Systems Announces Q2'08 Results

**AUSTIN, Texas—May 28, 2008**—Crossroads Systems, Inc. (OTC Pink Sheets: CRDS.PK), a leading provider of business information assurance for reliable data protection, robust data security and guaranteed connectivity solutions, today announced results for its fiscal second quarter ended April 30, 2008 (Q2'08).

Revenue totaled \$5.1 million for Q2'08 compared to \$5.5 million in the fiscal first quarter ended January 31, 2008 (Q1'08). Product revenue totaled \$2.3 million for Q2'08 compared to \$2.8 million for Q1'08. In addition, revenue from IP license, royalty and other totaled \$2.8 million for Q2'08 compared to \$2.7 million for Q1'08. Gross profit was \$4.1 million, or 81 percent for Q2'08, compared to \$4.5 million, or 82 percent for Q1'08. Net loss for Q2'08 was \$2.5 million, or \$0.09 cents loss per share, compared to a net loss of \$1.2 million, or \$0.04 cents loss per share in Q1'08.

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. More information about Crossroads Systems, Inc is available at [www.crossroads.com](http://www.crossroads.com).

### **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)

	<b>October 31,</b>	<b>April 30,</b>
	<b>2007</b>	<b>2008</b>
<b>ASSETS</b>	<hr/>	<hr/>
Current assets:		
Cash and cash equivalents.....	\$ 9,261	\$ 7,401
Accounts receivable, net .....	4,555	3,518
Inventories, net .....	407	352
Prepays and other current assets .....	81	636
Total current assets .....	<hr/> 14,304	<hr/> 11,907
Property and equipment, net .....	1,989	1,676
Intangible, net.....	3,927	3,359
Investment in Subsidiaries.....	6,946	6,662
Goodwill.....	3,264	324
Other assets .....	127	45
Total assets .....	<hr/> <hr/> <b>\$ 30,557</b>	<hr/> <hr/> <b>\$ 23,973</b>
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable .....	\$ 1,914	\$ 1,664
Accrued expenses .....	4,685	2,501
Accrued warranty costs .....	45	42
Deferred revenue .....	1,586	1,451
Line of Credit .....	-	2,024
Total current liabilities .....	<hr/> 8,230	<hr/> 7,682
Long-term liabilities.....	2,619	-
Stockholders' equity .....	19,708	16,291
Total liabilities and stockholders' equity .....	<hr/> <hr/> <b>\$ 30,557</b>	<hr/> <hr/> <b>\$ 23,973</b>

**CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)  
(In Thousands, Except Share and Per Share Data)

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>April 30,</b>		<b>April 30,</b>	
	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>
Revenue:				
Product.....	\$ 1,966	\$ 2,292	\$ 3,760	\$ 5,106
IP License, royalty and other .....	2,972	2,815	5,932	5,493
Total revenue .....	4,938	5,107	9,692	10,599
Cost of revenue:				
Product.....	501	572	1,271	1,102
IP License, royalty and other .....	283	409	389	863
Total cost of revenue .....	784	981	1,660	1,965
Gross profit .....	4,154	4,126	8,032	8,634
Operating expenses:				
Sales and marketing .....	1,826	1,907	3,292	3,666
Research and development .....	3,512	3,050	6,535	6,035
General and administrative .....	701	1,238	1,185	1,832
FAS 123R and stock based compensation.....	223	159	450	335
Amortization of intangibles.....	351	284	702	552
Total operating expenses .....	6,613	6,638	12,164	12,420
Income (Loss) from operations .....	(2,459)	(2,512)	(4,132)	(3,786)
Interest (expense) income.....	138	(5)	316	44
Net Income (Loss).....	<u>\$ (2,321)</u>	<u>\$ (2,517)</u>	<u>\$ (3,816)</u>	<u>\$ (3,742)</u>
Basic net gain (loss) per share.....	(0.08)	(0.09)	(0.14)	(0.13)
Shares used in computing:				
Basic net gain (loss) per share .....	<u>28,154,311</u>	<u>28,154,311</u>	<u>27,973,218</u>	<u>28,154,311</u>

**CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)  
(In thousands)

	<b>Six Months Ended</b>	
	<b>April 30,</b>	
	<u>2007</u>	<u>2008</u>
Cash flows from operating activities:		
Net loss.....	\$ (3,816)	\$ (3,742)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation.....	585	497
Amortization of intangibles.....	703	552
Loss on disposal of fixed assets .....	-	(3)
Stock-based compensation.....	-	-
FAS 123R expense.....	449	335
Provision for doubtful accounts receivable.....	(37)	2
Provision for excess and obsolete inventory.....	37	(7)
Changes in assets and liabilities:	-	
Accounts receivable.....	513	824
Inventories.....	12	62
Prepays and other current assets.....	67	(337)
Accounts payable.....	(799)	(240)
Accrued expenses and other.....	(435)	683
Net cash used in operating activities.....	<u>(2,721)</u>	<u>(1,374)</u>
Cash flows from investing activities:		
Purchase of property and equipment.....	(592)	(181)
Purchase of held-to-maturity investments.....	-	-
Maturity of held-to-maturity investments.....	3,955	-
Investment in privately-held company.....	(174)	(2,378)
Net cash provided by (used in) investing activities.....	<u>3,189</u>	<u>(2,559)</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.....	-	49
Net increase (decrease) in cash and cash equivalents.....	968	(1,860)
Cash and cash equivalents, beginning of period.....	12,321	9,261
Cash and cash equivalents, end of period.....	<u>\$ 13,289</u>	<u>\$ 7,401</u>