



## For Immediate Release

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## CROSSROADS SYSTEMS REPORTS FOURTH QUARTER, FISCAL 2007 FULL YEAR RESULTS

**AUSTIN, Texas—December 13, 2007**—Crossroads Systems, Inc. (OTC Pink Sheets: CRDS.PK), a leading provider of business information assurance solutions for secure storage and data protection, today announced results for its fiscal fourth quarter (Q4'07) and fiscal year ended October 31, 2007.

### Fiscal Fourth Quarter 2007

Revenue totaled \$6.7 million for Q4'07 compared to \$4.6 million in the fiscal third quarter ended July 31, 2007 (Q3'07). Product revenue totaled \$1.8 million for Q4'07 as compared to \$2.4 million for Q3'07. In addition, revenue from IP license, royalty and other totaled \$4.9 million for Q4'07 as compared to \$2.1 million for Q3'07.

Gross profit was \$5.4 million, or 81 percent for Q4'07, compared to \$3.5 million, or 76 percent for Q3'07. Net loss for Q4'07 was \$2.3 million, or \$0.08 cents per share, compared to a net loss of \$3.3 million, or \$0.12 cents per share in Q3'07.

### Fiscal Year 2007

Total revenue for fiscal year 2007 (FY'07) was \$21.0 million, compared with \$32.5 million for fiscal year 2006 (FY'06). The decrease was mainly related to the settlement of the Dot Hill license agreement in FY'06 for \$10.5 million. Gross profit for FY'07 was \$17.0 million, or 81 percent, compared with \$21.1 million, or 65 percent, for FY'06. Net loss for FY'07 was \$9.4 million, or \$0.33 cents per share, compared with \$2.3 million net loss, or \$0.09 cents per share, for FY'06.

You can now find Crossroads' press release on the Pink Sheets at [www.pinksheets.com](http://www.pinksheets.com).

### **About Crossroads Systems**

With headquarters in Austin, Texas, Crossroads Systems is a leading provider of Business Information Assurance solutions. Crossroads solves today's growing data storage, business continuity, disaster recovery and information security needs. Our solutions are designed to help companies store, manage and ensure the security, resiliency and accessibility of their data. Crossroads products are sold as part of packaged offerings from companies such as EMC, HP, Quantum and SUN, and are distributed through partners such as ACAL, Bell Micro, Info-X, and Promark. Crossroads (CRDS.PK) is currently traded on the Pink Sheets. Crossroads is a member of the Storage Networking Industry Association (SNIA). For more information about Crossroads Systems, please visit [www.crossroads.com](http://www.crossroads.com) or call 800-BUY-CRDS / 800.643.7148.

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#### **Forward-Looking Statements**

*Statements that Crossroads Systems, Inc. may publish, including those in this announcement that are not strictly historical, are "forward-looking" statements made under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. 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. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.*

**\* See Tables Attached\***

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

(Unaudited)  
(In Thousands)

	<b>October 31, 2006</b>	<b>October 31, 2007</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents.....	\$ 12,321	\$ 9,261
Short-term investments.....	3,955	-
Total cash, cash equivalents and short-term investments..	<u>16,276</u>	<u>9,261</u>
Accounts receivable, net .....	4,916	4,555
Inventories, net .....	114	407
Prepays and other current assets .....	<u>766</u>	<u>81</u>
Total current assets .....	22,072	14,304
Property and equipment, net .....	1,940	1,989
Intangible, net.....	5,460	3,927
Investment in Subsidiaries.....	-	6,946
Goodwill.....	3,135	3,264
Other assets .....	<u>45</u>	<u>127</u>
Total assets .....	<u><u>\$ 32,652</u></u>	<u><u>\$ 30,557</u></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable .....	\$ 1,728	\$ 1,914
Accrued expenses .....	5,172	4,685
Accrued warranty costs .....	73	45
Deferred revenue .....	<u>1,218</u>	<u>1,586</u>
Total current liabilities .....	8,191	8,230
Long-term liabilities.....	2,363	2,619
Stockholders' equity .....	<u>22,098</u>	<u>19,708</u>
Total liabilities and stockholders' equity .....	<u><u>\$ 32,652</u></u>	<u><u>\$ 30,557</u></u>

**CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

(In Thousands, Except Share and Per Share Data)

	<b>Three Months Ended October 31,</b>		<b>Fiscal Year Ended October 31,</b>	
	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>
Revenue:				
Product.....	\$ 2,796	\$ 1,829	\$ 10,879	\$ 8,029
IP License, royalty and other .....	4,304	4,909	21,585	12,980
Total revenue .....	<u>7,100</u>	<u>6,738</u>	<u>32,464</u>	<u>21,009</u>
Cost of revenue:				
Product.....	1,645	397	5,981	2,361
IP License, royalty and other .....	706	899	5,350	1,678
Total cost of revenue .....	<u>2,351</u>	<u>1,296</u>	<u>11,331</u>	<u>4,039</u>
Gross profit .....	<u>4,749</u>	<u>5,442</u>	<u>21,133</u>	<u>16,970</u>
Operating expenses:				
Sales and marketing .....	1,503	2,415	4,730	7,604
Research and development .....	3,330	3,806	12,736	14,103
General and administrative .....	1,285	1,060	4,360	2,928
FAS 123R and stock based compensation.....	193	201	1,079	875
Business restructuring expense.....	-	-	328	-
Amortization of intangibles.....	682	367	883	1,420
Total operating expenses .....	<u>6,993</u>	<u>7,849</u>	<u>24,116</u>	<u>26,930</u>
Income (Loss) from operations .....	(2,244)	(2,407)	(2,983)	(9,960)
Interest income.....	146	113	660	584
Net Income (Loss).....	<u>\$ (2,098)</u>	<u>\$ (2,294)</u>	<u>\$ (2,323)</u>	<u>\$ (9,376)</u>
Basic net gain (loss) per share.....	(0.08)	(0.08)	(0.09)	(0.33)
Shares used in computing:				
Basic net gain (loss) per share .....	<u>27,598,755</u>	<u>28,154,311</u>	<u>27,145,460</u>	<u>28,064,509</u>
Total Shares Outstanding .....	<u>27,598,755</u>	<u>28,154,311</u>	<u>27,598,755</u>	<u>28,154,311</u>

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

	<b>Twelve Months Ended</b>	
	<b>October 31,</b>	
	<u><b>2006</b></u>	<u><b>2007</b></u>
Cash flows from operating activities:		
Net loss.....	\$ (2,323)	\$ (9,376)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation.....	1,195	1,139
Amortization of intangibles.....	884	1,405
Loss on disposal of fixed assets .....	95	(2)
Stock-based compensation.....	317	-
FAS 123R expense.....	707	875
Provision for doubtful accounts receivable.....	(11)	108
Provision for excess and obsolete inventory.....	491	271
Changes in assets and liabilities:		
Accounts receivable.....	(1,453)	243
Inventories.....	632	(564)
Prepays and other current assets.....	(236)	684
Accounts payable.....	1,212	166
Accrued expenses and other.....	(236)	(166)
Net cash used in operating activities.....	<u>1,274</u>	<u>(5,217)</u>
Cash flows from investing activities:		
Purchase of property and equipment.....	(1,265)	(1,219)
Purchase of held-to-maturity investments.....	(3,954)	-
Maturity of held-to-maturity investments.....	4,789	3,955
Investment in privately-held company.....	(3,612)	(1,080)
Net cash provided by (used in) investing activities.....	<u>(4,042)</u>	<u>1,656</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock.....	59	500
Change in book overdraft.....	-	-
Net cash provided by financing activities.....	<u>59</u>	<u>500</u>
Effect of Exchange Rate on Cash.....	-	1
Net increase (decrease) in cash and cash equivalents.....	(2,709)	(3,060)
Cash and cash equivalents, beginning of period.....	15,030	12,321
Cash and cash equivalents, end of period.....	<u>\$ 12,321</u>	<u>\$ 9,261</u>