



Press Release

Investor Contact:

Jennifer Crane
Crossroads Systems
jcrane@crossroads.com
512.928.6897 or 800.643.7148

Press Contact:

Matthew Zintel
Zintel Public Relations
matthew.zintel@zintelpr.com
310.574.8888

FOR IMMEDIATE RELEASE

Crossroads Systems Reports Fiscal Fourth Quarter and Fiscal 2008 Full Year Financial Results

Austin, Texas – December 17, 2008 – Crossroads Systems, Inc. (symbol: CRDS), a global leading provider of solutions to connect, protect, secure and restore data-at-rest, today announced results for its fiscal fourth quarter (Q4'08) and fiscal year ended October 31, 2008.

Fiscal Fourth Quarter 2008

Revenue totaled \$7.2 million for Q4'08 compared to \$4.1 million in the fiscal third quarter ended July 31, 2008 (Q3'08). Product revenue totaled \$2.0 million for Q4'08 as compared to \$2.2 million for Q3'08. In addition, revenue from IP licenses, royalty and other totaled \$5.2 million for Q4'08 as compared to \$1.9 million for Q3'08. Recognition of deferred revenue accounted for \$1.0 million of the \$5.2 million for Q4'08.

Gross profit was \$6.3 million, or 87 percent for Q4'08, compared to \$3.4 million, or 82 percent for Q3'08. Net loss for Q4'08 was \$5.0 million, or \$0.18 cents per share, compared to net income of \$1.2 million, or \$0.04 cents per share in Q3'08. Net loss for Q4'08 included a \$5.7 million loss on impairment of assets.

Fiscal Year 2008

Total revenue for fiscal year 2008 (FY'08) was \$21.9 million, compared with \$21.0 million for fiscal year 2007 (FY'07). Gross profit for FY'08 was \$18.3 million, or 84 percent, compared with \$17.0 million, or 81 percent, for FY'07. Net loss for FY'08 was \$7.5 million, or \$0.27 cents per share, compared with \$9.4 million net loss, or \$0.33 cents per share, for FY'07.

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

About Crossroads Systems, Inc.

Headquartered in Austin, Texas, Crossroads Systems is a global leading provider of solutions to connect, protect, secure and restore data-at-rest. 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. Visit 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

CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In Thousands)

	October 31, 2007	October 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 9,261	\$ 7,086
Accounts receivable, net	4,555	5,535
Inventories, net	407	329
Prepays and other current assets	81	343
Total current assets	14,304	13,293
Property and equipment, net	1,989	1,444
Intangible, net.....	3,927	2,791
Investment in Subsidiaries.....	6,946	968
Goodwill.....	3,264	324
Other assets	127	17
Total assets	\$ 30,557	\$ 18,837
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,914	\$ 1,321
Accrued expenses	4,685	2,333
Accrued warranty costs	45	33
Deferred revenue	1,586	298
Line of Credit	-	2,024
Total current liabilities	8,230	6,009
Long-term liabilities.....	2,619	53
Stockholders' equity	19,708	12,775
Total liabilities and stockholders' equity	\$ 30,557	\$ 18,837

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

	Three Months Ended October 31,		Year Ended October 31,	
	2007	2008	2007	2008
Revenue:				
Product.....	\$ 1,829	\$ 1,969	\$ 8,029	\$ 9,305
IP License, royalty and other	4,909	5,219	12,980	12,593
Total revenue	6,738	7,188	21,009	21,898
Cost of revenue:				
Product.....	397	250	2,361	1,708
IP License, royalty and other	899	649	1,678	1,888
Total cost of revenue	1,296	899	4,039	3,596
Gross profit	5,442	6,289	16,970	18,302
Operating expenses:				
Sales and marketing	2,415	1,744	7,604	7,147
Research and development	3,806	2,824	14,103	11,643
General and administrative	1,060	548	2,928	3,172
FAS 123R and stock based compensation.....	201	151	875	660
Loss on impairment of assets.....	-	5,694	-	5,694
Amortization of intangibles.....	367	284	1,420	1,120
Total operating expenses	7,849	11,245	26,930	29,436
Income (Loss) from operations	(2,407)	(4,956)	(9,960)	(11,134)
Interest (expense) income.....	113	(9)	584	3,607
Net Income (Loss).....	<u>\$ (2,294)</u>	<u>\$ (4,965)</u>	<u>\$ (9,376)</u>	<u>\$ (7,527)</u>
Basic net gain (loss) per share.....	(0.08)	(0.18)	(0.33)	(0.27)
Shares used in computing:				
Basic net gain (loss) per share	<u>28,154,311</u>	<u>28,154,311</u>	<u>28,064,509</u>	<u>28,154,311</u>

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

	Twelve Months Ended October 31,	
	2007	2008
Cash flows from operating activities:		
Net loss.....	\$ (9,376)	\$ (7,527)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation.....	1,139	978
Business restructuring expenses.....	-	-
Loss on impairment of assets.....	-	5,694
Amortization of intangibles.....	1,405	1,120
Loss on disposal of fixed assets	(2)	11
FAS 123R expense.....	875	661
Provision for doubtful accounts receivable.....	108	
Provision for excess and obsolete inventory.....	271	29
Changes in assets and liabilities:		
Accounts receivable.....	243	(1,021)
Inventories.....	(564)	49
Prepays and other current assets.....	684	(264)
Accounts payable.....	166	(333)
Accrued expenses and other.....	(166)	(1,165)
Net cash used in operating activities.....	<u>(5,217)</u>	<u>(1,768)</u>
Cash flows from investing activities:		
Purchase of property and equipment.....	(1,219)	(450)
Maturity of held-to-maturity investments.....	3,955	-
Investment in privately-held company.....	(1,080)	(1,674)
Net cash provided by (used in) investing activities.....	<u>1,656</u>	<u>(2,124)</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock.....	500	-
Proceeds from Borrowing on Line of Credit.....	-	2,024
Net cash provided by financing activities.....	<u>500</u>	<u>2,024</u>
Effect of Exchange Rate on Cash.....	1	(307)
Net increase (decrease) in cash and cash equivalents.....	(3,060)	(2,175)
Cash and cash equivalents, beginning of period.....	12,321	9,261
Cash and cash equivalents, end of period.....	<u>\$ 9,261</u>	<u>\$ 7,086</u>