

(Former name or former address if changed since last report)

**Item 7.**                    **Financial Statements, Pro Forma Financial Information and Exhibits**

(c) Exhibits

99.1 Press Release dated March 26, 2004.

**Item 9.**                    **Regulation FD Disclosure**

The following information is furnished pursuant to Item 12, “Results of Operations and Financial Condition”.

The information in this Current Report is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. The information in this Current Report shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended. The furnishing of the information in this Current Report is not intended to, and does not, constitute a representation that such furnishing is required by Regulation FD or that the information this Current Report contains is material investor information that is not otherwise publicly available.

On March 26, 2004, the Registrant, nStor Technologies, Inc., issued a press release (the “Press Release”) announcing its financial results for the fourth quarter and year ended December 31, 2003. A copy of the Press Release is attached as Exhibit 99.1. The Press Release is incorporated herein by reference.

## **SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**nSTOR TECHNOLOGIES, INC.**  
(Registrant)

Date: March 26, 2004

By: /s/ **Jack Jaiven**

Jack Jaiven

Vice President and Treasurer

## Exhibit 99.1



Michael Porter, President – Investor Relations  
Cheryl Schneider, V.P – Investor Relations  
Jeff Myhre, VP – Editorial

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Seven Penn Plaza ▪ New York, NY 10001 ▪ 212-564-4700 ▪ FAX 212-244-3075 ▪ [www.plrinvest.com](http://www.plrinvest.com) ▪ [plrmail@plrinvest.com](mailto:plrmail@plrinvest.com)

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**nSTOR TECHNOLOGIES, INC.**

**Jack Jaiven, Vice President/Treasurer**  
**561-640-3105**  
**E-mail: [jack@cenrec.com](mailto:jack@cenrec.com)**

**FOR IMMEDIATE RELEASE**

### **nSTOR TECHNOLOGIES REPORTS FOURTH QUARTER AND YEAR END RESULTS**

**Carlsbad, CA – March 26, 2004 – nStor Technologies, Inc. (AMEX:NSO)** today announced operating results for the fourth quarter and year ended December 31, 2003.

For the fourth quarter, the Company's net loss amounted to \$1.6 million or \$.01 per share, on revenues of \$3.5 million, compared to a net loss of \$1.1 million or \$.01 per share, on revenues of \$3.9 million for the third quarter of 2003 and \$776,000 or \$.01 per share, on revenues of almost \$3.3 million during fourth quarter 2002. Revenues for each period include the Company's data storage solutions subsidiary, nStor Corporation, Inc., and its telemanagement solutions subsidiary, Stonehouse Technologies, Inc.

For the full 2003 year, nStor's net loss amounted to just under \$6.0 million or \$.04 per share, on revenues of \$12.6 million, compared to a net loss of almost \$8.0 million, or \$.06 per share, on revenues of \$10.8 million for 2002. Operating results for the current year include a \$791,000 non-cash charge for stock-based compensation. Last year's net loss includes a \$1.1 million loss on the liquidation of nStor's remaining marketable securities; a \$600,000 non-cash charge attributable to the fair value of an option (which has since expired) that was granted to a customer; and \$1.3 million of non-operational income. Last year's revenues include \$2.9 million (representing seven months) from Stonehouse, which was acquired in June 2002, compared to \$4.8 million realized during 2003.

The Company's fourth quarter data storage solutions revenue declined by \$615,000 or 22%, compared to the third quarter. H. Irwin Levy, Chairman and Chief Executive Officer, stated that "The Company recently unveiled its NexStor 4700 Serial ATA (SATA) product line, which is targeted at both the SMB (Small Medium Business) and SME (Small Medium Enterprise) markets. The response to this product offering, and our strategy to deliver storage solutions which solve business problems, has been very positive and has resonated well with our customers."

He also said, "We believe that several of our major customers are waiting until the full complement of our SATA products is available for shipment. In particular, the level of sales orders from two of our major customers during the fourth quarter was lower than anticipated, which was primarily responsible for the quarter's sales decline."

Mr. Levy concluded, "During March, we have experienced a significant increase in new orders. In addition, under the recently announced reseller agreement with DataCore Software, we expect to be offering DataCore's SANMelody™ software and its other suite of product offerings as a significant value-added enhancement to our own storage solution product line."

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**About nStor Technologies, Inc.**

Headquartered in Carlsbad, California, nStor Technologies, Inc. operates in two business segments.

**nStor Corporation, Inc.**, develops data storage solutions that are ideally suited for the small and mid-size markets. The company's flagship controller technology and StorView software form the foundation for the NexStor family of turnkey solutions that support Microsoft Windows, Linux, UNIX and Macintosh operating environments. Designed for storage-intensive environments and mission-critical applications, nStor's products are offered in various architectures including Fibre Channel, Fibre-to-SCSI, SCSI and SATA and are focused on addressing customers' business needs and applications. The Company markets its storage solutions through a global network of OEM partners, resellers and systems integrators. For more information, visit [www.nstor.com](http://www.nstor.com).

**Stonehouse Technologies, Inc.**, headquartered in Dallas, Texas, is a provider of telecommunication software and services that help large enterprises and state and local governments manage their communications expenses, assets and processes. These solutions include a suite of modular applications and consulting services, which allow enterprises to manage voice, data and wireless services by providing a systematic approach to automate order processing, monitor expenses, manage vendor invoices, track asset inventory and allocate costs. Additional information can be found by visiting Stonehouse's web site at [www.stonehouse.com](http://www.stonehouse.com).

*This press release includes statements that may constitute "forward-looking" statements, usually containing the words "believe", "estimated", "project", "expect", "anticipate", or similar expressions. These statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to, the Company's inability to increase sales to current customers and to expand its customer base, continued acceptance of the Company's products in the marketplace, the Company's inability to improve the gross margin on its products, competitive factors, dependence upon third-party vendors, outcome of litigation, insufficient funding and other risks detailed in the Company's periodic report filings with the Securities and Exchange Commission. By making these forward-looking statements, the Company undertakes no obligation to update these statements for revisions or changes after the date of this release. nStor and StorView are registered trademarks of nStor Technologies, Inc*

- Financial Tables to Follow -

**nStor Technologies, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Operations**  
(in thousands, except per share data)

|   | Three Months Ended<br>December 31, |                 | Year Ended<br>December 31, |                   |
|---|------------------------------------|-----------------|----------------------------|-------------------|
|   | 2003                               | 2002            | 2003                       | 2002              |
| Sales   | \$ 3,546                           | \$ 3,286        | \$ 12,602                  | \$ 10,790         |
| Cost of sales   | <u>2,498</u>                       | <u>1,782</u>    | <u>8,180</u>               | <u>7,892</u>      |
| Gross margin  | <u>1,048</u>                       | <u>1,504</u>    | <u>4,422</u>               | <u>2,898</u>      |
| Operating expenses:   |                                    |                 |                            |                   |
| Selling, general and administrative   | 1,554                              | 1,328           | 5,640                      | 5,251             |
| Research and development  | 802                                | 663             | 2,766                      | 3,085             |
| Stock-based compensation  | 8                                  | --              | 791                        | --                |
| Depreciation and amortization   | <u>142</u>                         | <u>486</u>      | <u>515</u>                 | <u>1,471</u>      |
| Total operating expenses  | <u>2,506</u>                       | <u>2,477</u>    | <u>9,712</u>               | <u>9,807</u>      |
| Loss from operations  | (1,458)                            | (973)           | (5,290)                    | (6,909)           |
| Interest expense  | (174)                              | (201)           | (726)                      | (629)             |
| Other income, net   | 4                                  | 328             | 28                         | 1,277             |
| Losses on marketable securities   | --                                 | --              | --                         | (1,123)           |
| Fair value of option granted to customer  | <u>--</u>                          | <u>70</u>       | <u>--</u>                  | <u>(600)</u>      |
| Net loss  | <u>\$ (1,628)</u>                  | <u>\$ (776)</u> | <u>\$ (5,988)</u>          | <u>\$ (7,984)</u> |
| Basic and diluted net loss per common share   | <u>\$ (.01)</u>                    | <u>\$ (.01)</u> | <u>\$ (.04)</u>            | <u>\$ (.06)</u>   |
| Weighted average number of common shares<br>considered outstanding, basic and diluted | <u>165,063</u>                     | <u>141,732</u>  | <u>156,886</u>             | <u>128,899</u>    |

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**nStor Technologies, Inc. and Subsidiaries**  
**Condensed Consolidated Balance Sheets**  
(in thousands)

|   | December 31,<br>2003 | December 31,<br>2002 |
|---|----------------------|----------------------|
| <b>ASSETS</b>                               |                      |                      |
| Current assets:                             |                      |                      |
| Cash and cash equivalents                   | \$ 203               | \$ 293               |
| Accounts receivable, net                    | 1,371                | 934                  |
| Inventories                                 | 1,589                | 1,079                |
| Prepaid expenses and other                  | 358                  | 224                  |
| Total current assets                        | <u>3,521</u>         | <u>2,530</u>         |
| Property and equipment, net                 | 443                  | 303                  |
| Goodwill and other intangible assets, net   | 11,256               | 11,349               |
|   | <u>\$ 15,220</u>     | <u>\$ 14,182</u>     |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> |                      |                      |
| Current liabilities:                        |                      |                      |
| Borrowings:                                 |                      |                      |
| Affiliate                                   | \$ 6,941             | \$ 3,398             |
| Other                                       | 896                  | 1,486                |
| Accounts payable and other                  | 2,944                | 3,177                |
| Deferred revenue                            | 1,178                | 1,401                |
| Total current liabilities                   | <u>11,959</u>        | <u>9,462</u>         |
| Long-term debt                              | <u>--</u>            | <u>3,100</u>         |
| Total liabilities                           | 11,959               | 12,562               |
| Shareholders' equity                        | 3,261                | 1,620                |
|   | <u>\$ 15,220</u>     | <u>\$ 14,182</u>     |