SORRENTO NETWORKS A New Beginning . . .

Emerging Stronger Than Ever

"Our technology is excellent and our product strategy is sound. Our customer base is intact and loyal, and we have the resources to execute. We have survived the downturn and are emerging stronger than ever. It's a great time to be part of Sorrento Networks."

Phil Arneson,Chairman and CEO

ver the past 12 months, Sorrento Networks has executed dramatic turnaround measures and made the tough decisions necessary to restructure its business. Management has successfully accomplished its stated goals, all in the face of a general economic downturn and certainly in the face of the most challenging market conditions in industry history. With its comprehensive capital and corporate restructuring complete, Sorrento is poised for a new beginning. With resiliency and perseverance, Sorrento is further establishing itself as the leading supplier of intelligent optical networking solutions for metro and regional applications worldwide.

Assessing & Overcoming Challenges

In 2001, Sorrento began to face a maelstrom of challenges. On the macroeconomic level, domestic and foreign economies slowed significantly, capital-spending budgets dwindled, and the threat of terrorism and war loomed. Investors were dramatically affected by widely publicized corporate scandals, accounting improprieties, fraud, and bankruptcies. Sorrento's situation was further exacerbated by other difficulties unique to the telecom industry. The entire telecom sector was negatively impacted, elevating investor, shareholder and customer concerns.

These external events resulted in a decline of Sorrento's revenue base. Sorrento promptly assessed its operations in order to determine how best to adapt to the new economic realities. Constrained by an inflated cost structure, corporate litigation, management transitions, and a highly leveraged balance sheet, Sorrento's financial and operational flexibility was severely compromised. By this point it was evident that a capital and corporate restructuring, a renewed business strategy, and stabilization of the company were essential to Sorrento's future success.

Sorrento Networks 9990 Mesa Rim Road San Diego, CA 92121 (858) 558-3960 www.sorrentonet.com

June 2003

"Debt holders
typically do not
embrace restructuring
plans that convert
debt into equity
without having
confidence in
management to
execute on a
successful
turnaround plan.

Our comprehensive restructuring improves our financial health and gives us a new beginning. It increases our sales opportunities with major customers, provides flexibility to raise additional capital, and simplifies our corporate structure. Sorrento management can now focus all of its energy on growing the business. This is a major step forward." - Joe Armstrong, Chief Financial Officer

Leading and Embracing Change

Sorrento's Board of Directors took prompt action and selected Phil Arneson to lead the company, and he assumed the position of Chairman and Chief Executive Officer in March 2002. Arneson and his executive team quickly established a list of key priorities and objectives. All Sorrento employees were challenged to embrace the changes needed to resurrect the business. A new strategic plan was developed and the difficult task of completing the capital and corporate restructuring was begun.

Arneson and CFO Joe Armstrong made arduous decisions to downsize, close nonessential facilities and slash costs – with dramatic results. Through staunch expense control, Sorrento eliminated millions in operating costs and reduced cash burn. Sorrento refocused its sales efforts and bookings grew dramatically, while productivity, as measured by revenue per employee, increased more than 150% during fiscal 2003. During this time, the Sorrento management team remained firmly committed to the turnaround, a testament to their courage and dedication. Most importantly, after lengthy negotiation, an agreement was reached with Sorrento's Senior Convertible Debenture Holders and Series A Preferred Shareholders to restructure the large debt obligations they held.

Restoring Financial Health

One key to Sorrento's turnaround was its ability to execute the comprehensive restructuring plan. Through sheer persistence and determination, management successfully negotiated with the creditors a plan that would convert \$81 million of existing debt obligations into equity and \$12.5 million in long-term convertible debentures, which included significant interest rate reductions and more flexible terms. Management signed definitive agreements with 100% of its Senior Convertible Debenture Holders and Series A Preferred Shareholders in March 2003 and received overwhelming shareholder approval of the plan on May 29, 2003. The plan was completed and became effective on June 4, 2003. The investors' vote of confidence in the company was clear.

Completion of the restructuring would not have been possible without the tireless efforts of several team members at Sorrento, and outside legal counsel, Irell & Manella LLP (Los Angeles) and Greenbaum, Rowe, Smith, Ravin, Davis & Himmel LLP (New Jersey).

SORRENTO NETWORKS: A New Beginning . . .

Key components of the capital and corporate restructuring plan include the following:

- ♦ Conversion of Sorrento Networks Corporation's \$32.2 million in convertible bonds into common shares and into a portion of a new \$12.5 million convertible debenture, with interest of 7.5% and maturity in August 2007.
- Removal of the outstanding debt obligation of the Series A "put" of \$48.8 million against Sorrento Networks, Inc. by the conversion of all Series A shares into common shares and into a portion of the new \$12.5 million convertible debenture. The company also negotiated a deferral of up to \$0.6 million in certain legal expenses through the issuance of a convertible debenture having the same terms and conditions as the new convertible debentures issued in the restructuring plan.
- ♦ Retention by existing common shareholders of 12.5% of the company's equity in the form of existing stock and new warrants after the significant reduction in debt obligations.
- ♦ Simplification of the corporate structure by merging its two operating subsidiaries, Sorrento Networks, Inc. and Meret Optical Communications, Inc., into Sorrento Networks Corporation.

Completion of the restructuring strengthens Sorrento's balance sheet and considerably improves its financial flexibility to raise the working capital needed to grow the business. With its fiscal health improved, Sorrento is now poised to aggressively pursue its initiatives – to focus on its business operations, to grow revenues, win new customers, and develop next-generation products that address market needs. The Sorrento management team and Board value the continued support and confidence that the Senior Convertible Debenture Holders and Series A Preferred Shareholders have placed in the company. *This restructuring is truly a landmark achievement for the company and its investors.*

Seizing Opportunities in Growing Markets

Despite the current troubles facing the telecom industry, analysts agree that bandwidth demand remains robust. Network traffic continues to grow at a phenomenal rate of 50-60% annually. While substantial fiber capacity exists in the network backbone, DSL and cable modems – along with the increased needs for

"Huge nonrecurring expenses are behind us. Enormous management distractions are behind us. We know what we have control over. We know what we can accomplish. The market will come back."

- Phil Arneson

Since 1997, Sorrento
has optimized its
products to serve the
rapidly growing metro
market. Widely
recognized as "bestof-breed," Sorrento's
products meet the
needs generated by
the growing demand
for broadband
services.

Delivering highly flexible, cost-effective solutions to major carrier and enterprise customers, Sorrento's product lines support today's business activities and are positioned for tomorrow's networking needs.

wavelength services by enterprises – are generating strong demand at the network edge. Accordingly, metropolitan networks are poised for future growth. It is in the metro arena where Sorrento thrives and the company's solutions are strategic and mission-critical to its customers.

Simplicity. Flexibility. Power. Value.

These are the characteristics that define Sorrento's products and set them apart from the competition. These terms also describe the post-restructuring strengths and advantages of Sorrento as an organization and business.

Operational Simplicity

- Customers praise Sorrento products for their simple yet robust designs. Leveraging modularity and an "any card, any slot" design, its products facilitate rapid expansion and fast services roll-out.
- With the completion of the restructuring, Sorrento now possesses both a dramatically improved balance sheet and a simplified corporate structure. Guided by enhanced and streamlined operational processes, Sorrento is focused on customer service and product quality.

Flexibility and Scalability

- ♦ Sorrento's products can be easily upgraded as customer requirements evolve. The "pay-as-you-grow" infrastructure allows for flexible provisioning of numerous services on the same scalable platform and permits non-disruptive upgrades to carrier services.
- Post-restructuring, Sorrento emerges as a market-driven, nimble organization that can respond quickly to changing customer needs.

Extensive Power and Capacity

- ♦ Field-proven and industry certified, Sorrento's network solutions are "carrier class", offering maximum bandwidth capacity and superior reliability. Introduced in 1997, Sorrento's award-winning GigaMux was the first DWDM optical transport system to be commercially shipped, and today powers some of the largest and most sophisticated telecom and cable service networks.
- ♦ Despite its modest size, Sorrento's extensive geographical footprint spans the globe, serving clients in North America, South America, Europe, Asia, and Australia with over 1,700 nodes installed. Great products and strong intellectual property enable Sorrento to compete − and win − against much larger vendors.

Value Creation

- ♦ Sorrento's products are designed with an eye toward tomorrow's large network requirements, but with today's tight budgets in mind. Delivering high-performance, cost-effective solutions, Sorrento provides impressive operational and financial value to each of its customers.
- With the restructuring behind it, Sorrento's goal is to create significant value for its shareholders. All the right pieces are coming together to facilitate its path to profitability.

People. Process. Capital.

People – Management is extremely proud of Sorrento's talented team of employees. All parts of the organization are deeply committed to providing the very best products and delivering the highest quality of service to customers. Sorrento's world-class engineering staff, one-third of which possess doctorate degrees, is on the forefront of developing innovative, next-generation networking solutions. Its aggressive sales and marketing team is highly focused on meeting the needs of the fast-growing cable MSO industry – where expenditures remain strong and customers are deploying new services. Leading the way is a seasoned Board and management team, charting the vision and boldly exploring opportunities to expand Sorrento's reach through strategic partnerships.

Process – Through continuous improvement and a relentless drive to optimize its processes, Sorrento never ceases to evolve and advance. Instilling renewed business discipline, management utilizes operating reviews and has adopted a phase-review framework. While preserving entrepreneurial spirit, this framework creates accountability for all functional areas at each stage of the product cycle, from initial design concept to post-installation support. Promoting communication and coordination between sales, marketing and engineering, management expects new product introductions to be more effective than ever. Eliminating unnecessary, wasteful, redundant and time-consuming tasks is a key objective, serving not only to reduce costs but also to ensure that energies are spent productively.

Capital – Sorrento now stands ready with a new financial beginning. A dramatically improved balance sheet and a flexible capital structure will enable management to focus on raising the funding needed for growth.

"A corporation's financial success lies in the talent of its people, the soundness of its processes, and its ability to obtain working capital.

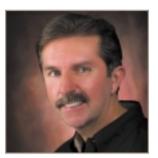
This concept underlies Sorrento's strategic growth plan."

– Phil Arneson

The verdict is clear –
Sorrento Networks is
a survivor. The
company has faced
and overcome
tremendous
challenges. With a
new financial
beginning in place,
Sorrento's future
looks brighter than
ever.



Phil Arneson



Joe Armstrong

Leading the company to an entirely new level of professionalism and performance, Sorrento's management team is experienced and effective. Through bold moves and strong resolve, management has achieved its stated goals, building Sorrento's credibility and reputation in the process.

Overseeing this team is a distinguished, active Board of Directors.

Poised for Growth and Prosperity

Defying the odds, Sorrento has successfully forged and executed a comprehensive restructuring plan, and has refocused its business. With the business outlook improving and recent quarterly results demonstrating strong operating performance, Sorrento expects even greater accomplishments in the future.

Management and Board

Phil Arneson – Chairman of the Board, CEO & President

Mr. Arneson has served as Chairman and Chief Executive Officer since March 2002 and as President since October 2001. A director of Sorrento since October 2000, Mr. Arneson has over 25 years in executive management, having been responsible for leading corporate turnarounds, completing numerous acquisitions, driving internal growth initiatives, and forming strategic relationships. He was formerly Executive Vice President of AlliedSignal's electronics sector and CEO of Amphenol Corporation (NYSE: APH), now a holding of Kohlberg Kravis Roberts & Co. (KKR).

Joe Armstrong - Chief Financial Officer

Mr. Armstrong has served as Chief Financial Officer since January 2001. He has over 25 years of corporate finance, investor relations, treasury, legal, and management expertise. Mr. Armstrong is experienced in raising capital, having managed an initial public offering process and negotiated private equity investments.

Board of Directors:

Phil Arneson – Chairman, CEO & President.

Donne Fisher – President of Fisher Capital Partners, Ltd. Director of Liberty Media Corporation. Former Officer and Director of Tele-Communications, Inc. (TCI), which was acquired by AT&T.

Robert Hibbard – Attorney and management consultant. Former CEO of Kim Technologies International, Inc. Former senior counsel to several Fortune 100 companies.

Larry Matthews – Co-founder of Zytec Corporation, winner of the National Baldrige Quality Award. Director of Artesyn Technologies (Nasdaq: ATSN), Veritec, Inc., and several other privately-held companies.

Gary Parsons – Chairman of the Board of XM Satellite Radio Holdings, Inc. (Nasdaq: XMSR), and Chairman and CEO of Mobile Satellite Ventures, LLP.

Selected Financial Information

(Unaudited)

Balance Sheet Comparison

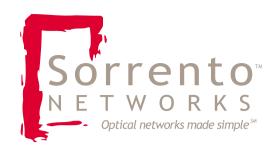
	Protorma								
	Post-								
Restructuring									
(\$ in Thousands)	4/30/03	1/31/03	<u>Change</u>	Comment					
Current Liabilities	\$15,240	\$68,417	\$(53,177)	78%	Reduction				
Total Liabilities	\$32,036	\$90,281	\$(58,245)	65%	Reduction				
Shareholders' Equity	\$16,053	\$(34,476)	\$50,529	147%	Improvement				
Inventory	\$11,973	\$13,934	\$(1,961)	14%	Reduction				

Performance Improvement Comparison

(\$ in Thousands)	4/30/03	4/30/02	<u>Change</u>	Comm	<u>ent</u>
Inventory Turnover (annualized)	2	1	1	100%	Improvement
Average Sales Days Outstanding	57	144	(87)	60%	Improvement
Revenue per Employee (annualized) \$299	\$117	\$183	157%	Improvement
Operating Expenses	\$5,572	\$8,032	\$(2,460)	31%	Reduction
Net Loss from Operations	\$(3,618)	\$(6,544)	\$2,926	45%	Improvement

^{*} For complete financial information, please refer to the company's public filings on Form 10-Q and Form 10-K.

Safe Harbor Except for historical information contained herein, the matters discussed in this release are forward-looking statements that involve risks and uncertainties. Words such as "plans," "expects," "intends," and variations of such words and similar expressions are intended to identify such forward-looking statements. The forward-looking statements in this release are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The occurrence of actual events may differ materially due to a variety of factors, including without limitation the following: (1) Sorrento Networks' ability to fund its operations until such time that revenue and orders improve, including its ability to raise additional equity or debt financing; (2) unanticipated technical problems relating to Sorrento Networks' products; (3) Sorrento Networks' ability, or lack thereof, to make, market and sell optical networking products that meet with market approval and acceptance; (4) the greater financial, technical and other resources of Sorrento Networks' many, larger competitors in the marketplace for optical networking products; (5) changed market conditions, new business opportunities or other factors that might affect Sorrento Networks' decisions as to the best interests of its shareholders; (6) other risks detailed from time to time in Sorrento Networks' reports filed with the U.S. Securities and Exchange Commission.



Sorrento Networks Corporation (Nasdaq NM: FIBR), headquartered in San Diego, is a leading supplier of intelligent optical networking solutions for metro and regional applications worldwide. Sorrento Networks' products support a wide range of protocols and network traffic over linear, ring and mesh topologies. Sorrento Networks' existing customer base and market focus includes communications carriers in the telecommunications, cable TV and utilities markets. The storage area network (SAN) market is addressed though alliances with SAN system integrators.

Investor Relations Contact: Joe Armstrong, Chief Financial Officer (858) 450-4934 jarmstrong@sorrentonet.com

9990 Mesa Rim Road San Diego, CA 92121 (858) 558-3960 www.sorrentonet.com