

XYRATEX LTD
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended,	
	February 28, 2010	February 28, 2009
	(US dollars in thousands, except per share amounts)	
Revenues:		
Networked Storage Solutions	\$ 270,983	\$ 165,725
Storage Infrastructure	47,983	18,160
Total revenues	318,966	183,885
Cost of revenues	261,368	162,993
Gross profit:		
Networked Storage Solutions	41,313	18,389
Storage Infrastructure	16,636	2,768
Equity compensation	(351)	(265)
Total gross profit	57,598	20,892
Operating expenses:		
Research and development	18,115	18,747
Selling, general and administrative	11,572	13,827
Amortization of intangible assets	978	966
Restructuring costs	-	3,116
Total operating expenses	30,665	36,656
Operating income (loss)	26,933	(15,764)
Interest income (expense), net	(24)	60
Income (loss) before income taxes	26,909	(15,704)
Provision for income taxes	632	424
Net income (loss)	\$ 26,277	\$ (16,128)
Net earnings (loss) per share:		
Basic	\$ 0.88	\$ (0.55)
Diluted	\$ 0.85	\$ (0.55)
Weighted average common shares (in thousands), used in computing net earnings (loss) per share:		
Basic	29,719	29,236
Diluted	30,762	29,236

XYRATEX LTD
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	February 28, 2010	November 30, 2009
(US dollars and amounts in thousands)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 53,720	\$ 51,935
Accounts receivable, net	201,552	124,715
Inventories	158,771	108,625
Prepaid expenses	4,192	4,784
Deferred income taxes	405	405
Other current assets	3,715	5,825
Total current assets	422,355	296,289
Property, plant and equipment, net	43,617	44,485
Intangible assets, net	6,226	7,207
Deferred income taxes	6,269	6,269
Total assets	\$ 478,467	\$ 354,250
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 180,770	\$ 96,386
Employee compensation and benefits payable	13,039	8,580
Deferred revenue	24,182	10,620
Income taxes payable	2,614	2,013
Other accrued liabilities	13,601	17,413
Total current liabilities	234,206	135,012
Long-term debt	-	-
Total liabilities	234,206	135,012
 Shareholders' equity		
Common shares (in thousands), par value \$0.01 per share		
70,000 authorized, 30,144 and 29,461 issued and outstanding	301	295
Additional paid-in capital	373,542	370,925
Accumulated other comprehensive income (loss)	(279)	3,598
Accumulated deficit	(129,303)	(155,580)
Total shareholders' equity	244,261	219,238
Total liabilities and shareholders' equity	\$ 478,467	\$ 354,250

XYRATEX LTD
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended	
	February 28, 2010	February 28, 2009
	<small>(US dollars in thousands)</small>	
Cash flows from operating activities:		
Net income (loss)	\$ 26,277	\$ (16,128)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	4,460	4,493
Amortization of intangible assets	978	966
Non-cash equity compensation	2,157	1,530
Loss on sale of assets	61	-
Changes in assets and liabilities, net of impact of acquisitions and divestitures		
Accounts receivable	(76,837)	54,394
Inventories	(50,146)	16,581
Prepaid expenses and other current assets	(896)	(327)
Accounts payable	84,384	(44,903)
Employee compensation and benefits payable	4,459	(1,827)
Deferred revenue	13,562	(3,240)
Income taxes payable	601	354
Deferred income taxes	-	1
Other accrued liabilities	(4,088)	(1,566)
Net cash provided by operating activities	4,972	10,328
Cash flows from investing activities:		
Investments in property, plant and equipment	(3,653)	(4,606)
Net cash used in investing activities	(3,653)	(4,606)
Cash flows from financing activities:		
Proceeds from issuance of shares	466	87
Net cash provided by financing activities	466	87
Change in cash and cash equivalents	1,785	5,809
Cash and cash equivalents at beginning of period	51,935	28,013
Cash and cash equivalents at end of period	\$ 53,720	\$ 33,822

XYRATEX LTD
SUPPLEMENTAL INFORMATION

Summary Reconciliation Of GAAP Net Income (Loss) To Non-GAAP Net Income (Loss)	Three Months Ended	
	February 28, 2010	February 28, 2009
	(US dollars in thousands, except per share amounts)	
GAAP net income (loss)	\$26,277	(\$16,128)
Amortization of intangible assets	978	966
Equity compensation	2,157	1,530
Restructuring costs	-	3,116
Non-GAAP net income (loss)	<u>\$29,412</u>	<u>(\$10,516)</u>

Summary Reconciliation Of Diluted GAAP Earnings (Loss) Per Share To Diluted Non-GAAP Earnings (Loss) Per Share

Diluted GAAP earnings (loss) per share	\$ 0.85	\$ (0.55)
Amortization of intangible assets	0.03	0.03
Equity compensation	0.08	0.05
Restructuring costs	-	0.11
Tax effect of non-GAAP adjustments	-	-
Diluted non-GAAP earnings (loss) per share	<u>\$0.96</u>	<u>(\$0.36)</u>

Summary Of Equity Compensation

Cost of revenues	351	265
Research and development	718	510
Selling, general and administrative	1,088	755
Total equity compensation	<u>2,157</u>	<u>1,530</u>