

XYRATEX LTD
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	<u>February 28,</u> <u>2010</u>	<u>November 30,</u> <u>2009</u>
(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	<u>422,355</u>	<u>296,289</u>
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	<u><u>\$ 478,467</u></u>	<u><u>\$ 354,250</u></u>
 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	<u>234,206</u>	<u>135,012</u>
Long-term debt	-	-
Total liabilities	<u><u>234,206</u></u>	<u><u>135,012</u></u>
 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	<u>244,261</u>	<u>219,238</u>
Total liabilities and shareholders' equity	<u><u>\$ 478,467</u></u>	<u><u>\$ 354,250</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

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	\$ 318,966	\$ 183,885
Cost of revenues	261,368	162,993
Gross profit	57,598	20,892
Operating expenses:		
Research and development	18,115	18,747
Selling, general and administrative	11,569	13,827
Amortization of intangible assets	981	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

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XYRATEX LTD
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)
(US dollars and amounts, in thousands)

	<u>Number of Common Shares</u>	<u>Par value</u>	<u>Additional paid in capital</u>	<u>Accumulated deficit</u>	<u>Accumulated other comprehensive income (loss)</u>	<u>Total</u>
Balances as of						
November 30, 2008	29,146	\$291	\$366,067	(\$139,166)	(\$13,603)	\$213,589
Issuance of common shares	313	4	83			\$87
Non-cash equity compensation			1,530			\$1,530
Tax on equity compensation			(835)			(\$835)
Components of comprehensive loss, net of tax:						
Net loss				(16,128)		
Unrealized loss on forward foreign currency contracts and reclassification adjustment:					750	
Total comprehensive loss						(\$15,378)
Balances as of						
February 28, 2009	<u>29,459</u>	<u>\$295</u>	<u>\$366,845</u>	<u>\$(155,294)</u>	<u>(\$12,853)</u>	<u>\$198,993</u>

	<u>Number of Common Shares</u>	<u>Par value</u>	<u>Additional paid in capital</u>	<u>Accumulated deficit</u>	<u>Accumulated other comprehensive income (loss)</u>	<u>Total</u>
Balances as of						
November 30, 2009	29,461	\$295	\$370,925	(\$155,580)	\$3,598	\$219,238
Issuance of common shares	683	6	460			\$466
Non-cash equity compensation			2,157			\$2,157
Components of comprehensive income, net of tax:						
Net income				26,277		
Unrealized loss on forward foreign currency contracts and reclassification adjustment:					(3,877)	
Total comprehensive income						\$22,400
Balances as of						
February 28, 2010	<u>30,144</u>	<u>\$301</u>	<u>\$373,542</u>	<u>(\$129,303)</u>	<u>(\$279)</u>	<u>\$244,261</u>

The accompanying notes are an integral part of these consolidated financial statements.

XYRATEX LTD
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended	
	February 28, 2010	February 28, 2009
	(US dollars in thousands)	
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	981	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	(4,091)	(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

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