

XYRATEX LTD
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	<u>Three Months Ended,</u>		<u>Six Months Ended,</u>	
	<u>May 31,</u> <u>2010</u>	<u>May 31,</u> <u>2009</u>	<u>May 31,</u> <u>2010</u>	<u>May 31,</u> <u>2009</u>
(US dollars in thousands, except per share amounts)				
Revenues:				
Networked Storage Solutions	\$ 343,900	\$ 184,257	\$ 614,883	\$ 349,982
Storage Infrastructure	111,999	10,482	159,982	28,642
Total revenues	<u>455,899</u>	<u>194,739</u>	<u>774,865</u>	<u>378,624</u>
Cost of revenues	373,405	169,540	634,773	332,533
Gross profit:				
Networked Storage Solutions	44,070	23,469	85,383	41,858
Storage Infrastructure	38,770	1,892	55,406	4,660
Equity compensation	(346)	(162)	(697)	(427)
Total gross profit	<u>82,494</u>	<u>25,199</u>	<u>140,092</u>	<u>46,091</u>
Operating expenses:				
Research and development	21,890	17,512	40,005	36,259
Selling, general and administrative	15,305	14,833	26,877	28,660
Amortization of intangible assets	979	1,011	1,957	1,977
Restructuring costs	-	1,099	-	4,215
Total operating expenses	<u>38,174</u>	<u>34,455</u>	<u>68,839</u>	<u>71,111</u>
Operating income (loss)	44,320	(9,256)	71,253	(25,020)
Interest income (expense), net	5	25	(19)	85
Income (loss) before income taxes	<u>44,325</u>	<u>(9,231)</u>	<u>71,234</u>	<u>(24,935)</u>
Provision for income taxes	663	412	1,295	836
Net income (loss)	<u>\$ 43,662</u>	<u>\$ (9,643)</u>	<u>\$ 69,939</u>	<u>\$ (25,771)</u>
Net earnings (loss) per share:				
Basic	<u>\$ 1.45</u>	<u>\$ (0.33)</u>	<u>\$ 2.33</u>	<u>\$ (0.88)</u>
Diluted	<u>\$ 1.39</u>	<u>\$ (0.33)</u>	<u>\$ 2.25</u>	<u>\$ (0.88)</u>
Weighted average common shares (in thousands), used in computing net earnings (loss) per share:				
Basic	<u>30,202</u>	<u>29,462</u>	<u>29,960</u>	<u>29,349</u>
Diluted	<u>31,391</u>	<u>29,462</u>	<u>31,022</u>	<u>29,349</u>

XYRATEX LTD
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	<u>May 31,</u> <u>2010</u>	<u>November 30,</u> <u>2009</u>
<small>(US dollars and amounts in thousands)</small>		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 58,307	\$ 51,935
Accounts receivable, net	245,260	124,715
Inventories	188,959	108,625
Prepaid expenses	3,878	4,784
Deferred income taxes	405	405
Other current assets	3,507	5,825
Total current assets	<u>500,316</u>	<u>296,289</u>
Property, plant and equipment, net	44,072	44,485
Intangible assets, net	5,248	7,207
Deferred income taxes	6,075	6,269
Total assets	<u><u>\$ 555,711</u></u>	<u><u>\$ 354,250</u></u>
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 201,060	\$ 96,386
Employee compensation and benefits payable	14,429	8,580
Deferred revenue	31,368	10,620
Income taxes payable	1,808	2,013
Other accrued liabilities	17,709	17,413
Total current liabilities	<u>266,374</u>	<u>135,012</u>
Long-term debt	-	-
Total liabilities	<u><u>266,374</u></u>	<u><u>135,012</u></u>
 Shareholders' equity		
Common shares (in thousands), par value \$0.01 per share		
70,000 authorized, 30,259 and 29,461 issued and outstanding	303	295
Additional paid-in capital	377,127	370,925
Accumulated other comprehensive income (loss)	(2,452)	3,598
Accumulated deficit	(85,641)	(155,580)
Total shareholders' equity	<u>289,337</u>	<u>219,238</u>
Total liabilities and shareholders' equity	<u><u>\$ 555,711</u></u>	<u><u>\$ 354,250</u></u>

XYRATEX LTD
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended	
	May 31, 2010	May 31, 2009
	(US dollars in thousands)	
Cash flows from operating activities:		
Net income (loss)	\$ 69,939	\$ (25,771)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	8,943	9,162
Amortization of intangible assets	1,957	1,977
Non-cash equity compensation	4,277	2,472
Loss on sale of assets	69	-
Changes in assets and liabilities, net of impact of acquisitions and divestitures		
Accounts receivable	(120,545)	37,813
Inventories	(80,334)	26,035
Prepaid expenses and other current assets	(374)	1,896
Accounts payable	104,674	(35,477)
Employee compensation and benefits payable	5,849	(1,841)
Deferred revenue	20,748	(3,459)
Income taxes payable	(10)	39
Deferred income taxes	(1)	1
Other accrued liabilities	(2,154)	(3,669)
Net cash provided by operating activities	13,038	9,178
Cash flows from investing activities:		
Investments in property, plant and equipment	(8,599)	(10,055)
Net cash used in investing activities	(8,599)	(10,055)
Cash flows from financing activities:		
Proceeds from issuance of shares	1,933	87
Net cash provided by financing activities	1,933	87
Change in cash and cash equivalents	6,372	(790)
Cash and cash equivalents at beginning of period	51,935	28,013
Cash and cash equivalents at end of period	\$ 58,307	\$ 27,223

XYRATEX LTD
SUPPLEMENTAL INFORMATION

	Three Months Ended		Six Months Ended	
	May 31, 2010	May 31, 2009	May 31, 2010	May 31, 2009
Summary Reconciliation Of GAAP Net Income (Loss) To Non-GAAP Net Income (Loss)	(US dollars in thousands, except per share amounts)		(US dollars in thousands, except per share amounts)	
GAAP net income (loss)	\$43,662	(\$9,643)	\$69,939	(\$25,771)
Amortization of intangible assets	979	1,011	1,957	1,977
Equity compensation	2,120	942	4,277	2,472
Restructuring costs	-	1,099	-	4,215
Non-GAAP net income (loss)	<u>\$46,761</u>	<u>(\$6,591)</u>	<u>\$76,173</u>	<u>(\$17,107)</u>

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

Diluted GAAP earnings (loss) per share	\$ 1.39	\$ (0.33)	\$ 2.25	\$ (0.88)
Amortization of intangible assets	0.03	0.03	0.06	0.07
Equity compensation	0.07	0.03	0.14	0.08
Restructuring costs	-	0.04	-	0.14
Diluted non-GAAP earnings (loss) per share	<u>\$1.49</u>	<u>(\$0.22)</u>	<u>\$2.46</u>	<u>(\$0.58)</u>

Summary Of Equity Compensation

Cost of revenues	346	162	697	427
Research and development	706	317	1,424	827
Selling, general and administrative	1,068	463	2,156	1,218
Total equity compensation	<u>2,120</u>	<u>942</u>	<u>4,277</u>	<u>2,472</u>