

XYRATEX LTD
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	May 31, 2010	November 30, 2009
	(US dollars and amounts in thousands)	
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	500,316	296,289
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	\$ 555,711	\$ 354,250
 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	266,374	135,012
Long-term debt	-	-
Total liabilities	266,374	135,012
 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	289,337	219,238
Total liabilities and shareholders' equity	\$ 555,711	\$ 354,250

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

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	\$ 455,899	\$ 194,739	\$ 774,865	\$ 378,624
Cost of revenues	<u>373,405</u>	<u>169,540</u>	<u>634,773</u>	<u>332,533</u>
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)	<u>44,320</u>	<u>(9,256)</u>	<u>71,253</u>	<u>(25,020)</u>
Interest income (expense), net	<u>5</u>	<u>25</u>	<u>(19)</u>	<u>85</u>
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	<u>663</u>	<u>412</u>	<u>1,295</u>	<u>836</u>
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>

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

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	3	84			\$87
Non-cash equity compensation			2,472			\$2,472
Tax on equity compensation			(835)			(\$835)
Components of comprehensive loss, net of tax:						
Net loss				(25,771)		
Unrealized loss on forward foreign currency contracts and reclassification adjustment:					10,750	
Total comprehensive loss						(\$15,021)
Balances as of						
May 31, 2009	<u>29,459</u>	<u>\$294</u>	<u>\$367,788</u>	<u>\$(164,937)</u>	<u>(\$2,853)</u>	<u>\$200,292</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	798	8	1,925			\$1,933
Non-cash equity compensation			4,277			\$4,277
Components of comprehensive income, net of tax:						
Net income				69,939		
Unrealized loss on forward foreign currency contracts and reclassification adjustment:					(6,050)	
Total comprehensive income						\$63,889
Balances as of						
May 31, 2010	<u>30,259</u>	<u>\$303</u>	<u>\$377,127</u>	<u>(\$85,641)</u>	<u>(\$2,452)</u>	<u>\$289,337</u>

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

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

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