

XYRATEX LTD
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	<u>Three Months Ended,</u>		<u>Year Ended</u>	
	<u>November 30,</u> <u>2009</u>	<u>November 30,</u> <u>2008</u>	<u>November 30,</u> <u>2009</u>	<u>November 30,</u> <u>2008</u>
(US dollars in thousands, except per share amounts)				
Revenues:				
Networked Storage Solutions	\$ 203,439	\$ 222,300	\$ 762,028	\$ 855,770
Storage Infrastructure	39,534	63,127	105,863	193,946
Total revenues	<u>242,973</u>	<u>285,427</u>	<u>867,891</u>	<u>1,049,716</u>
Cost of revenues	205,014	249,827	742,615	891,139
Gross profit:				
Networked Storage Solutions	26,874	18,643	97,981	107,275
Storage Infrastructure	11,348	17,234	28,202	52,566
Equity compensation	(263)	(277)	(907)	(1,264)
Total gross profit	<u>37,959</u>	<u>35,600</u>	<u>125,276</u>	<u>158,577</u>
Operating expenses:				
Research and development	17,560	22,726	71,062	85,897
Selling, general and administrative	13,538	15,984	56,463	63,686
Amortization of intangible assets	951	1,223	3,939	4,882
Impairment of goodwill	-	34,256	-	34,256
Restructuring costs	1,170	-	5,898	-
Total operating expenses	<u>33,219</u>	<u>74,189</u>	<u>137,362</u>	<u>188,721</u>
Operating income (loss)	4,740	(38,589)	(12,086)	(30,144)
Interest income, net	4	166	114	1,618
Income (loss) before income taxes	<u>4,744</u>	<u>(38,423)</u>	<u>(11,972)</u>	<u>(28,526)</u>
Provision for income taxes	3,194	17,324	4,442	19,383
Net income (loss)	<u>\$ 1,550</u>	<u>\$ (55,747)</u>	<u>\$ (16,414)</u>	<u>\$ (47,909)</u>
Net earnings (loss) per share:				
Basic	<u>\$ 0.05</u>	<u>\$ (1.92)</u>	<u>\$ (0.56)</u>	<u>\$ (1.64)</u>
Diluted	<u>\$ 0.05</u>	<u>\$ (1.92)</u>	<u>\$ (0.56)</u>	<u>\$ (1.64)</u>
Weighted average common shares (in thousands), used in computing net earnings (loss) per share:				
Basic	<u>29,462</u>	<u>29,096</u>	<u>29,402</u>	<u>29,157</u>
Diluted	<u>30,588</u>	<u>29,096</u>	<u>29,402</u>	<u>29,157</u>

XYRATEX LTD
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	November 30, 2009	November 30, 2008
(US dollars and amounts in thousands)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 51,935	\$ 28,013
Accounts receivable, net	124,715	140,879
Inventories	108,625	128,183
Prepaid expenses	4,784	2,746
Deferred income taxes	405	1,000
Other current assets	5,825	4,430
Total current assets	296,289	305,251
Property, plant and equipment, net	44,485	47,229
Intangible assets, net	7,207	11,162
Deferred income taxes	6,269	9,545
Total assets	\$ 354,250	\$ 373,187
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 96,386	\$ 111,295
Employee compensation and benefits payable	8,580	9,745
Deferred revenue	10,620	8,386
Income taxes payable	2,013	2,573
Foreign currency contracts	-	13,266
Other accrued liabilities	17,413	14,333
Total current liabilities	135,012	159,598
Long-term debt	-	-
Total liabilities	135,012	159,598
 Shareholders' equity		
Common shares (in thousands), par value \$0.01 per share		
70,000 authorized, 29,461 and 29,146 issued and outstanding	294	291
Additional paid-in capital	370,926	366,067
Accumulated other comprehensive income (loss)	3,598	(13,603)
Accumulated deficit	(155,580)	(139,166)
Total shareholders' equity	219,238	213,589
Total liabilities and shareholders' equity	\$ 354,250	\$ 373,187

XYRATEX LTD
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended,	
	November 30, 2009	November 30, 2008
(US dollars in thousands)		
Cash flows from operating activities:		
Net income (loss)	\$ (16,414)	\$ (47,909)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	18,197	15,770
Amortization of intangible assets	3,939	4,882
Impairment of intangible assets	-	34,256
Non-cash equity compensation	5,625	7,646
Loss on sale of assets	-	185
Changes in assets and liabilities, net of impact of acquisitions and divestitures		
Accounts receivable	16,164	(18,552)
Inventories	19,558	(36,521)
Prepaid expenses and other current assets	165	1,455
Accounts payable	(14,909)	15,249
Employee compensation and benefits payable	(1,165)	(3,535)
Deferred revenue	2,234	(6,826)
Income taxes payable	(560)	1,408
Deferred income taxes	3,021	16,944
Other accrued liabilities	3,433	2,718
Net cash provided by (used in) operating activities	<u>39,288</u>	<u>(12,830)</u>
Cash flows from investing activities:		
Investments in property, plant and equipment	<u>(15,453)</u>	<u>(25,763)</u>
Net cash used in investing activities	<u>(15,453)</u>	<u>(25,763)</u>
Cash flows from financing activities:		
Repurchases of common shares	-	(6,116)
Proceeds from issuance of shares	87	2,044
Net cash provided by (used in) financing activities	<u>87</u>	<u>(4,072)</u>
Change in cash and cash equivalents	23,922	(42,665)
Cash and cash equivalents at beginning of period	<u>28,013</u>	<u>70,678</u>
Cash and cash equivalents at end of period	<u>\$ 51,935</u>	<u>\$ 28,013</u>

XYRATEX LTD
SUPPLEMENTAL INFORMATION

Summary Reconciliation Of GAAP Net Income (Loss) To Non-GAAP Net Income (Loss)	Three Months Ended		Year Ended	
	November 30, 2009	November 30, 2008	November 30, 2009	November 30, 2008
	(US dollars in thousands, except per share amounts)		(US dollars in thousands, except per share amounts)	
GAAP net income (loss)	\$1,550	(\$55,747)	(\$16,414)	(\$47,909)
Amortization of intangible assets	951	1,223	3,939	4,882
Impairment of goodwill	-	34,256	-	34,256
Equity compensation	1,758	1,755	5,625	7,646
Restructuring costs	1,170	-	5,898	-
Tax effect of impairment of goodwill	-	(9,592)	-	(9,592)
Tax effect of other non-GAAP adjustments	2,460	(1,024)	2,460	(3,791)
Valuation allowance against UK deferred tax asset	-	29,466	-	29,466
Effect on deferred tax of changes to UK tax rates and exchange rates	-	110	-	1,254
Non-GAAP net income	<u>\$7,889</u>	<u>\$447</u>	<u>\$1,508</u>	<u>\$16,212</u>

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

Diluted GAAP earnings (loss) per share	\$ 0.05	\$ (1.92)	\$ (0.56)	\$ (1.64)
Amortization of intangible assets	0.03	0.04	0.13	0.17
Impairment of goodwill	-	1.18	-	1.17
Equity compensation	0.06	0.06	0.19	0.26
Restructuring costs	0.04	-	0.20	-
Tax effect of impairment of goodwill	-	(0.33)	-	(0.33)
Tax effect of other non-GAAP adjustments	0.08	(0.04)	0.08	(0.13)
Valuation allowance against UK deferred tax asset	-	1.01	-	1.00
Effect on deferred tax of changes to UK tax rates and exchange rates	-	0.00	-	0.04
Diluted non-GAAP earnings per share	<u>\$0.26</u>	<u>\$0.02</u>	<u>\$0.05</u>	<u>\$0.54</u>

Summary Of Equity Compensation

Cost of revenues	263	277	907	1,264
Research and development	571	567	1,856	2,469
Selling, general and administrative	924	911	2,862	3,913
Total equity compensation	<u>1,758</u>	<u>1,755</u>	<u>5,625</u>	<u>7,646</u>