

NEWS RELEASE

LSI Reports Fourth Quarter and Full-Year 2011 Results

Quarterly revenue up 11% year over year, driven by share gains and new product cycles

Bracknell, UK, January 26, 2012 – LSI Corporation (NYSE: LSI) today reported results for its fourth quarter and full year ended December 31, 2011.

Fourth Quarter and Full Year 2011 Highlights

- Fourth quarter 2011 revenues from continuing operations* of \$523 million
- Fourth quarter 2011 GAAP** income from continuing operations of 2 cents per diluted share
- Fourth quarter 2011 non-GAAP*** income from continuing operations of 13 cents per diluted share
- Fourth quarter operating cash flows of \$55 million
- Full-year 2011 revenues of \$2.04 billion, up 9.3% year-over-year

First Quarter 2012 Business Outlook

- Projected revenues from continuing operations* of \$550 million to \$590 million
- GAAP** (loss)/income from continuing operations in the range of (\$0.07) to \$0.03 per share
- Non-GAAP*** income from continuing operations in the range of \$0.09 to \$0.15 per share

¹ * On May 6, 2011, LSI completed the sale of its external storage systems business. The financial results of the external storage systems business have been classified as discontinued operations in LSI's financial statements. Our ongoing business is referred to as "continuing operations."

** Generally Accepted Accounting Principles.

*** Excludes goodwill and other intangible asset impairment, stock-based compensation, amortisation of acquisition-related intangibles, purchase accounting effect on inventory, restructuring of operations and other items, net, and gain/loss on sale/write-down of investments. It also excludes the income tax effect associated with the above-mentioned items. It also excludes, in the case of non-GAAP net income, gain from the sale of the external storage systems business.¹

“Our growth last year in a challenging macro environment and our guidance for the first quarter of 2012 demonstrate the results of our ongoing strategic focus on delivering semiconductors and software that accelerate storage and networking applications,” said Abhi Talwalkar, LSI president and CEO. “We enter 2012 building on strong business momentum and are accelerating our revenue growth with share gains and new design wins at key customers and in critical markets such as mega datacenters, cloud computing, mobile networks and flash storage.”

Fourth quarter 2011 revenues from continuing operations were \$523 million, in line with guidance, compared to \$471 million generated from continuing operations in the fourth quarter of 2010, and compared to \$547 million generated from continuing operations in the third quarter of 2011.

Fourth quarter 2011 GAAP* income from continuing operations was \$11 million or 2 cents per diluted share, compared to fourth quarter 2010 GAAP income from continuing operations of \$5 million or 1 cent per diluted share. Third quarter 2011 GAAP income from continuing operations was \$32 million or 5 cents per diluted share. Fourth quarter 2011 GAAP income from continuing operations included a net charge of \$62 million from special items, consisting primarily of approximately \$29 million of amortisation of acquisition-related items, \$12 million of stock-based compensation expense and \$21 million of net restructuring and other items. Fourth quarter 2011 GAAP results from continuing operations also included a \$9 million net tax benefit, or 2 cents per diluted share, primarily related to the expiration of statutes of limitations and other non-cash tax items.

Fourth quarter 2011 GAAP net loss was \$2 million or 0 cents per diluted share, compared to fourth quarter 2010 GAAP net loss of \$13 million or 2 cents per diluted share. Third quarter 2011 GAAP net income was \$29 million or 5 cents per diluted share.

Fourth quarter 2011 non-GAAP** income from continuing operations was \$73 million or 13 cents per diluted share, compared to fourth quarter 2010 non-GAAP income from continuing operations of \$53 million or 8 cents per diluted share. Fourth quarter 2011 non-GAAP results included a \$9 million net tax benefit, or 2 cents per diluted share, primarily related to the expiration of statutes of limitations and other non-cash tax items. Third quarter 2011 non-GAAP income from continuing operations was \$83 million or 14 cents per diluted share.

Fourth quarter 2011 non-GAAP net income was \$60 million or 10 cents per diluted share, compared to fourth quarter 2010 non-GAAP net income of \$90 million or 14 cents per diluted share. Third quarter 2011 non-GAAP net income was \$83 million or 14 cents per diluted share.

Cash and short-term investments totaled approximately \$935 million at quarter end. The company completed fourth-quarter purchases of approximately 5 million shares of its common stock for approximately \$27 million. In 2011, the company

purchased approximately 72 million shares of its common stock for approximately \$499 million under its \$750 million share repurchase program.

LSI recorded full-year 2011 revenues from continuing operations of \$2.04 billion, a 9.3% increase compared to \$1.87 billion in 2010. The company reported 2011 GAAP net income of \$331 million or 55 cents per diluted share. Full-year 2011 GAAP results compare to full-year 2010 GAAP net income of \$40 million or 6 cents per share.

Full-year 2011 GAAP net income included a net charge of \$191 million in special items from continuing operations, consisting primarily of \$116 million in amortisation of acquisition-related items, \$51 million of stock-based compensation expense, and \$24 million of restructuring costs and other items. Full-year 2011 GAAP net income also included \$241 million of income from discontinued operations, net of taxes, which included a gain of \$260 million related to the sale of the external storage systems business.

Non-GAAP net income for 2011 was \$303 million or 50 cents per diluted share, compared to 2010 non-GAAP net income of \$333 million or 52 cents per diluted share.

Bryon Look, LSI CFO and chief administrative officer, said, "We remain focused on driving improvements to operating margins. The combination of share gains, new product cycles and continued expense control is expected to drive increased profitability levels going forward."

LSI 1Q2012 Business Outlook for Continuing Operations

	GAAP*	Special Items	Non-GAAP**
Revenue	\$550 million to \$590 million		\$550 million to \$590 million
Gross Margin	42% – 46%	\$35 million to \$45 million	50% – 52%
Operating Expenses	\$250 million to \$270 million	\$35 million to \$45 million	\$215 million to \$225 million
Net Other Income	\$5 million		\$5 million
Tax	Approximately \$9 million		Approximately \$9 million
(Loss)/Income from Continuing Operations Per Share	(\$0.07) to \$0.03	(\$0.12) to (\$0.16)	\$0.09 to \$0.15
Diluted Share Count	575 million		575 million

Capital spending is projected to be around \$20 million in the first quarter and approximately \$65 million in total for 2012.

Depreciation and software amortisation is projected to be around \$18 million in the first quarter and approximately \$70 million in total for 2012.

Forward-Looking Statements: This news release contains forward-looking statements that are based on the current opinions and estimates of management. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated in the forward-looking statements. Factors that could cause LSI's actual results to differ materially from those set forth in the forward-looking statements include, but are not limited to: our ability to successfully integrate and manage the SandForce business and retain its key employees; our ability to achieve anticipated synergies and to develop integrated new products following our acquisition of SandForce; our ability to eliminate costs related to the external storage systems business that we sold in 2011; our ability to repurchase our common stock at prices we believe to be advantageous; the impact of the recent flooding in Thailand; our reliance on major customers and suppliers; our ability to keep up with rapid technological change; our ability to compete successfully in competitive markets; fluctuations in the timing and volumes of customer demand; the unavailability of appropriate levels of manufacturing capacity; and general industry and macro-economic conditions. For additional information, see the documents filed by LSI with the Securities and Exchange Commission, and specifically the risk factors set forth in the company's most recent reports on Form 10-K and 10-Q. LSI disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

About LSI

LSI Corporation (NYSE: LSI) designs semiconductors and software that accelerate storage and networking in datacenters and mobile networks. Our technology is the intelligence critical to enhanced application performance, and is applied in solutions created in collaboration with our partners. More information is available at www.lsi.com.

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