

LSI Corporation
Reconciliations of Non-GAAP to GAAP measures
(In thousands, except percentages)
(Unaudited)

	Three Months Ended						Nine Months Ended			
	September 30, 2012	% of Rev	July 1, 2012	% of Rev	October 2, 2011	% of Rev	September 30, 2012	% of Rev	October 2, 2011	% of Rev
Revenues:	\$ 623,962		\$ 659,573		\$ 546,910		1,905,959		1,520,818	
% change in revenues-qtr./qtr.	-5%		6%		9%					
% change in revenues-yr./yr.	14%		32%		21%		25%		9%	
Gross profit margin:										
Gross profit margin - GAAP	312,651	50.1%	331,888	50.3%	263,845	48.2%	931,451	48.8%	725,639	47.7%
Amortization of acquisition-related intangibles	21,348	3.4%	21,348	3.2%	20,206	3.7%	64,086	3.4%	62,305	4.1%
Purchase accounting effect on inventory	-	0.0%	-	0.0%	-	0.0%	14,458	0.8%	-	0.0%
Stock-based compensation	2,573	0.4%	3,003	0.5%	1,460	0.3%	9,088	0.5%	5,324	0.4%
Gross profit margin - Non GAAP	336,572	53.9%	356,239	54.0%	285,511	52.2%	1,019,083	53.5%	793,268	52.2%
Research and development										
Research and development - GAAP	167,488	26.9%	175,564	26.6%	143,347	26.2%	512,923	27.0%	431,567	28.4%
less:										
Stock-based compensation	11,170	1.8%	11,973	1.8%	5,410	1.0%	35,451	1.9%	18,286	1.2%
Research and development - Non GAAP	156,318	25.1%	163,591	24.8%	137,937	25.2%	477,472	25.1%	413,281	27.2%
Selling, general and administrative										
Selling, general and administrative - GAAP	92,032	14.8%	88,914	13.5%	77,874	14.2%	271,046	14.2%	218,534	14.3%
less:										
Amortization of acquisition-related intangibles	8,667	1.4%	8,667	1.3%	8,319	1.5%	26,001	1.4%	24,957	1.6%
Stock-based compensation	13,643	2.2%	10,342	1.6%	4,883	0.9%	38,999	2.0%	15,462	1.0%
Selling, general and administrative - Non GAAP	69,722	11.2%	69,905	10.6%	64,672	11.8%	206,046	10.8%	178,115	11.7%
Operating expenses:										
Operating expenses - GAAP	263,741	42.3%	270,969	41.1%	232,005	42.4%	810,143	42.6%	652,787	42.9%
less:										
Stock-based compensation	24,813	4.0%	22,315	3.4%	10,293	1.9%	74,450	3.9%	33,748	2.2%
Amortization of acquisition-related intangibles	8,667	1.4%	8,667	1.3%	8,319	1.5%	26,001	1.4%	24,957	1.6%
Restructuring of operations and other items, net	4,221	0.7%	6,491	1.0%	10,784	2.0%	26,174	1.4%	2,686	0.2%
Operating expenses - Non-GAAP	226,040	36.2%	233,496	35.4%	202,609	37.0%	683,518	35.9%	591,396	38.9%
Income/(loss) from operations:										
Income from operations - GAAP	48,910	7.8%	60,919	9.2%	31,840	5.9%	121,308	6.3%	72,852	4.8%
Add:										
Stock-based compensation	27,386	4.4%	25,318	3.8%	11,753	2.1%	83,538	4.4%	39,072	2.6%
Amortization of acquisition-related intangibles	30,015	4.8%	30,015	4.6%	28,525	5.2%	90,087	4.7%	87,262	5.7%
Purchase accounting effect on inventory	-	0.0%	-	0.0%	-	0.0%	14,458	0.8%	-	0.0%
Restructuring of operations and other items, net	4,221	0.7%	6,491	1.0%	10,784	2.0%	26,174	1.4%	2,686	0.2%
Income/(loss) from operations - Non-GAAP	110,532	17.7%	122,743	18.6%	82,902	15.2%	335,565	17.6%	201,872	13.3%

LSI Corporation
Reconciliations of Non-GAAP to GAAP measures
(In thousands, except percentages)
(Unaudited)

	Twelve Months Ended						Nine Months Ended			
	December 31, 2008	% of Rev	December 31, 2009	% of Rev	December 31, 2010	% of Rev	December 31, 2011	% of Rev	September 30, 2012	% of Rev
<u>Income/(loss) from operations:</u>										
Income from operations/Operating margin - GAAP	\$ (686,971)	-36.0%	\$ (167,965)	-10.7%	\$ 29,327	1.6%	\$ 67,318	3.3%	\$ 121,308	6.3%
Add:										
Stock-based compensation	61,447	3.2%	53,212	3.4%	54,002	2.9%	50,910	2.5%	83,538	4.4%
Amortization of acquisition-related intangibles	229,595	12.0%	165,283	10.5%	151,212	8.0%	115,935	5.6%	90,087	4.7%
Purchase accounting effect on inventory	-	0.0%	4,405	0.3%	-	0.0%	-	0.0%	14,458	0.8%
Restructuring of operations and other items, net	43,662	2.3%	36,458	2.3%	9,201	0.5%	23,719	1.2%	26,174	1.4%
Goodwill/Intangible assets impairment	541,586	28.4%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Income from operations/Operating margin - Non-GAAP	\$ 189,319	9.9%	\$ 91,393	5.8%	\$ 243,742	13.0%	\$ 257,882	12.6%	\$ 335,565	17.6%

LSI CORPORATION
Consolidated Statements of Operations (GAAP)
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended			Nine Months Ended	
	September 30, 2012	July 1, 2012	October 2, 2011	September 30, 2012	October 2, 2011
Revenues	\$ 623,962	\$ 659,573	\$ 546,910	\$ 1,905,959	\$ 1,520,818
Cost of revenues	287,390	303,334	261,399	886,876	727,550
Amortization of acquisition-related intangibles	21,348	21,348	20,206	64,086	62,305
Purchase accounting effect on inventory	-	-	-	14,458	-
Stock-based compensation expense	2,573	3,003	1,460	9,088	5,324
Total cost of revenues	311,311	327,685	283,065	974,508	795,179
Gross profit	312,651	331,888	263,845	931,451	725,639
Research and development	156,318	163,591	137,937	477,472	413,281
Stock-based compensation expense	11,170	11,973	5,410	35,451	18,286
Total research and development	167,488	175,564	143,347	512,923	431,567
Selling, general and administrative	69,722	69,905	64,672	206,046	178,115
Amortization of acquisition-related intangibles	8,667	8,667	8,319	26,001	24,957
Stock-based compensation expense	13,643	10,342	4,883	38,999	15,462
Total selling, general and administrative	92,032	88,914	77,874	271,046	218,534
Restructuring of operations and other items, net	4,221	6,491	10,784	26,174	2,686
Income from operations	48,910	60,919	31,840	121,308	72,852
Interest income and other, net	5,855	9,594	7,610	30,105	18,348
Income from continuing operations before income taxes	54,765	70,513	39,450	151,413	91,200
Provision for/(benefit from) income taxes	15,100	11,800	7,800	(22,162)	12,596
Income from continuing operations	39,665	58,713	31,650	173,575	78,604
(Loss)/income from discontinued operations, net of taxes	-	-	(2,311)	-	254,673
Net income	\$ 39,665	\$ 58,713	\$ 29,339	\$ 173,575	\$ 333,277
Basic income per share:					
Income from continuing operations	\$ 0.07	\$ 0.10	\$ 0.05	\$ 0.31	\$ 0.13
(Loss)/income from discontinued operations	\$ -	\$ -	\$ (0.00)	\$ -	\$ 0.43
Net income	\$ 0.07	\$ 0.10	\$ 0.05	\$ 0.31	\$ 0.56
Diluted income per share:					
Income from continuing operations	\$ 0.07	\$ 0.10	\$ 0.05	\$ 0.30	\$ 0.13
(Loss)/income from discontinued operations	\$ -	\$ -	\$ (0.00)	\$ -	\$ 0.42
Net income	\$ 0.07	\$ 0.10	\$ 0.05	\$ 0.30	\$ 0.55
Shares used in computing per share amounts:					
Basic	555,197	563,686	567,790	561,708	592,898
Diluted	572,022	581,344	581,483	582,296	608,743

Reconciliations of certain GAAP measures to non-GAAP measures are included below.

	Three Months Ended			Nine Months Ended	
	September 30, 2012	July 1, 2012	October 2, 2011	September 30, 2012	October 2, 2011
Reconciliation of GAAP net income to non-GAAP net income:					
GAAP income from continuing operations	\$ 39,665	\$ 58,713	\$ 31,650	\$ 173,575	\$ 78,604
Special items:					
a) Stock-based compensation expense - cost of revenues	2,573	3,003	1,460	9,088	5,324
b) Stock-based compensation expense - R&D	11,170	11,973	5,410	35,451	18,286
c) Stock-based compensation expense - SG&A	13,643	10,342	4,883	38,999	15,462
d) Amortization of acquisition-related intangibles - cost of revenues	21,348	21,348	20,206	64,086	62,305
e) Amortization of acquisition-related intangibles - SG&A	8,667	8,667	8,319	26,001	24,957
f) Purchase accounting effect on inventory	-	-	-	14,458	-
g) Restructuring of operations and other items, net	4,221	6,491	10,784	26,174	2,686
h) Gain on sale of investments	(2,550)	-	-	(2,550)	-
i) Gain on re-measurement of a pre-acquisition equity interest to fair value	-	-	-	(5,765)	-
j) Income tax effect	-	-	-	(43,198)	-
Total special items from continuing operations	59,072	61,824	51,062	162,744	129,020
Non-GAAP income from continuing operations	\$ 98,737	\$ 120,537	\$ 82,712	\$ 336,319	\$ 207,624
Non-GAAP income from continuing operations per share:					
Basic	\$ 0.18	\$ 0.21	\$ 0.15	\$ 0.60	\$ 0.35
Diluted	\$ 0.17	\$ 0.21	\$ 0.14	\$ 0.58	\$ 0.34
GAAP net income	\$ 39,665	\$ 58,713	\$ 29,339	\$ 173,575	\$ 333,277
Special items:					
a) Total special items from continuing operations	59,072	61,824	51,062	162,744	129,020
b) Stock-based compensation expense - discontinued operations	-	-	(385)	-	(592)
c) Amortization of acquisition-related intangibles - discontinued operations	-	-	-	-	886
d) Restructuring of operations - discontinued operations	-	-	3,040	-	40,930
e) Gain on sale of business	-	-	-	-	(260,066)
Non-GAAP net income	\$ 98,737	\$ 120,537	\$ 83,056	\$ 336,319	\$ 243,455
Non-GAAP net income per share:					
Basic	\$ 0.18	\$ 0.21	\$ 0.15	\$ 0.60	\$ 0.41
Diluted	\$ 0.17	\$ 0.21	\$ 0.14	\$ 0.58	\$ 0.40
Shares used in computing non-GAAP per share amounts:					
Basic	555,197	563,686	567,790	561,708	592,898
Diluted	572,022	581,344	581,483	582,296	608,743