

Investor Relations Update

October 24, 2012



Accelerate.

Forward-Looking Statements and Non-GAAP Financial Measures

This presentation contains forward-looking statements that are based on our current opinions and estimates. 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 repurchase our common stock at prices we believe to be advantageous; 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. In addition, the financial information in this presentation is summary in nature. For additional information, see the documents filed by LSI with the SEC, including the risk factors set forth in our most recent report on Form 10-K. 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.

In our presentations, we may discuss non-GAAP financial information. You can find comparable GAAP information and reconciliations between the non-GAAP and GAAP information on our website at <http://www.lsi.com/webcast>. Non-GAAP financial information excludes stock-based compensation; amortization of acquisition-related intangibles; purchase accounting effect on inventory; restructuring of operations and other items, net; gain on remeasurement of a pre-acquisition equity interest to fair value; gain/loss on sale/write-down of investments; and, in the case of non-GAAP net income, gain from the sale of our external storage systems business. It also excludes the income tax effect associated with the above mentioned items. We sometimes refer to these items as “special items.”

Key Takeaways from Q3'12 Earnings Call

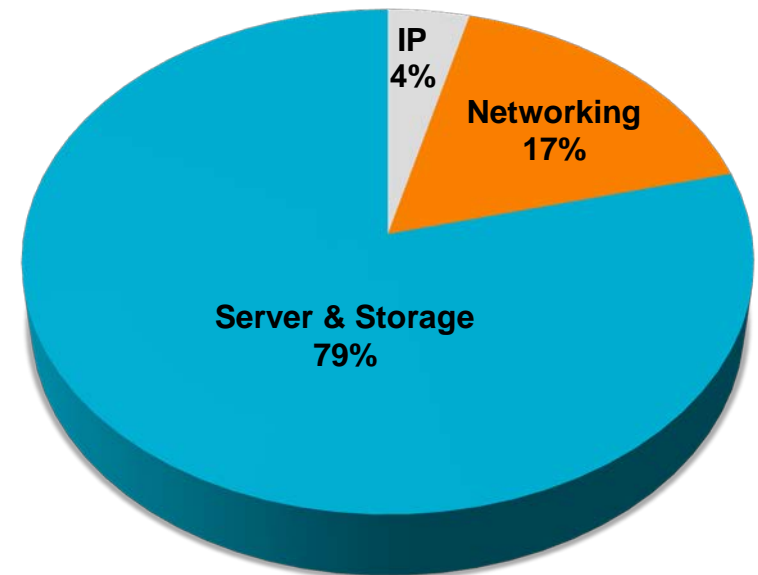
Financials

- Revenues: \$624M from continuing operations
- Non-GAAP Gross Margins: 53.9%
- Non-GAAP Operating Expenses: \$226M
- Non-GAAP EPS from continuing operations: \$0.17
- Cash & Short-term Investments: \$643M
- No Debt

Business Highlights

- Networking: Multi-generational designs with leading base station OEMs
- Flash: FSP designs at Toshiba, Intel, Hynix & Asus
- Flash: Oracle's Exadata platform is leveraging and shipping LSI's Nytro PCIe Flash Adapters
- HDD: Shipping SoCs to all HDD OEMs; New SoC wins for 500G per platter HDD and hybrid drives

Q3 2012 Product Revenue



The New LSI

- **Centered within persistent secular trends: Data & Traffic Growth**
- **Effectively repositioned and focused on large and exciting segments: Datacenter - Cloud, Mobile Network, and Flash**
- **LSI's Flash and Mobile Network opportunities add to exciting growth**
- **Emergence from investment cycle driving outstanding growth and expansion of operating performance**
- **The “LSI platform” is readily extensible to fuel sustained growth**

All ingredients are in place to drive exciting shareholder value

Focused on Storage and Networking

Businesses	End Markets	Product Lines	2011 Revenue \$2.044B
Server & Storage Semi	HDD/Flash	HDD: SoCs & Preamps Flash: FSPs, PCIe	37% \$751M
	Server & Storage Connectivity	Server RAID SAS: Server, Ext Storage FC SAN	36% \$736M
Networking Semi	Networking	Investment Areas: Standard & Custom PC Connectivity Networking Legacy	22% \$454M
Intellectual Property	Patent Licensing	IP Licensing	5% \$103M

LSI Benefiting from Numerous Inflections



Social Platforms

The new consumer portal (shopping, email, entertainment)
Enterprise increasingly adapting for e-collaboration



Smart Clients & Mobile Internet

Rise of smart phones, tablets and other intelligent clients
Connectivity explosion reshaping the network



Video

Rapid proliferation across consumer and enterprise platforms
Massive increase in storage capacity and network bandwidth



Big Data

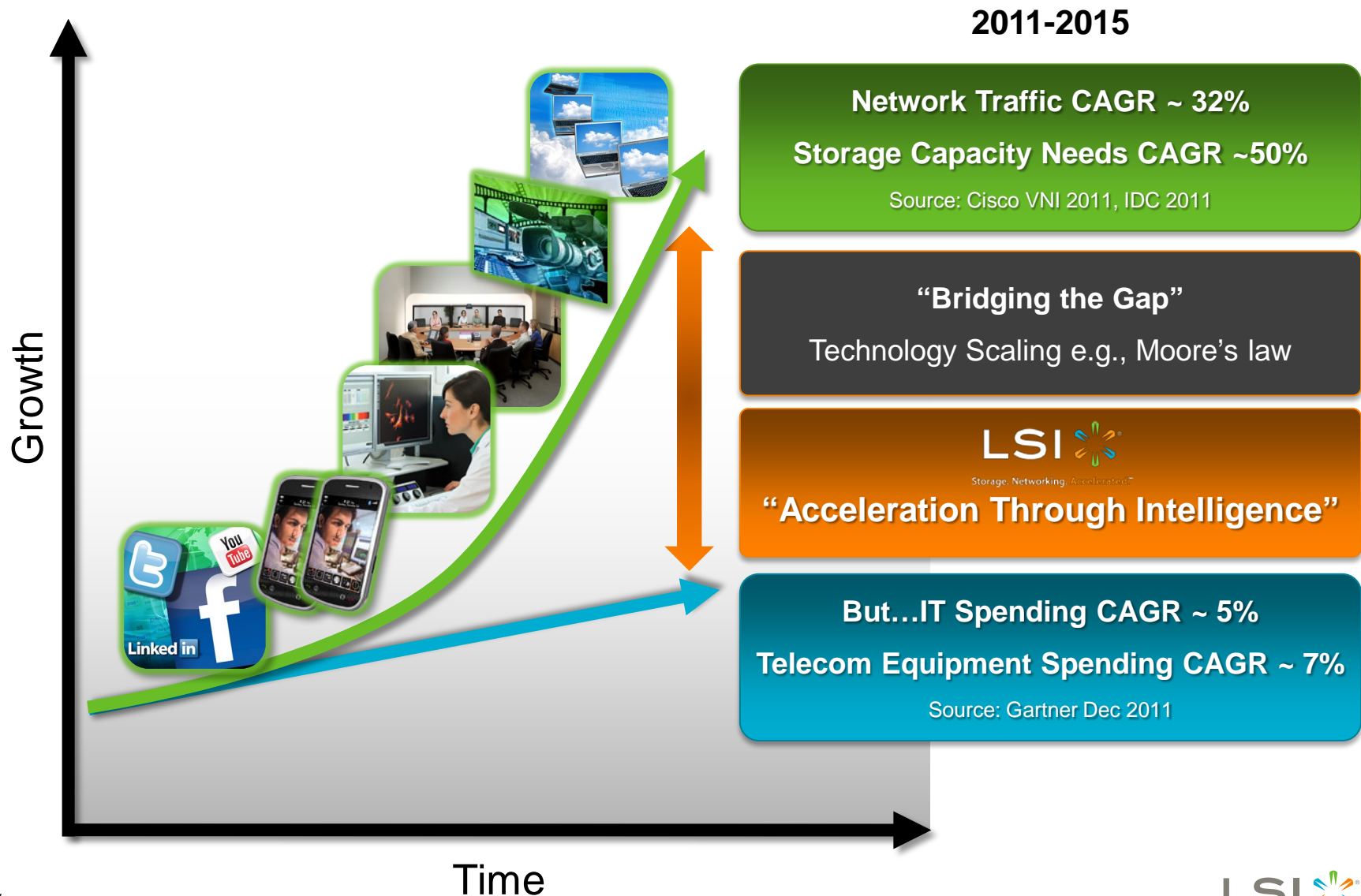
Collection & real time analysis of massive amounts of data
Datacenter architecture evolving to support Big Data analytics



Cloud

Rapid evolution of DCs for TCO, agility & growing demand
Clouds of all shapes, sizes, and business models

The Result: The “Data Deluge” Gap



LSI's Competitive Foundation

How We Sustain Our Leadership



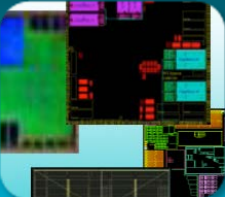
Silicon and Software Solutions

Broad multi-segment offerings
Complete and hardened FW and SW solutions



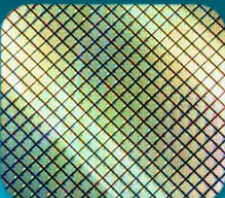
Time-to-Market Advantage

Accelerating product cadence
Leading on critical industry transitions



Broad IP Portfolio

Comprehensive storage and networking IP
Accelerating process technology



Silicon Integration

Continuing to drive greater integration
Unique and flexible engagement model

Our Software and Firmware Advantage

Multiple generations of hardened and trusted firmware and software stacks

Advanced Software Options

Multi-Server Protection

High Availability

Data Protection Layer

MegaRAID Stack

Fusion MPT Firmware OS Drivers



**SAS
MegaRAID**

Advanced Software Options

Predictor Profiling SW

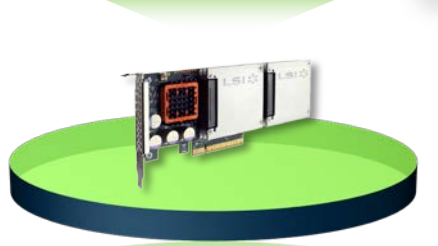
FastPath

CacheCade Pro

Direct Drive Firmware

Enterprise Grade Drivers

Fusion MPT Firmware OS Drivers



**PCIe Flash Adapters
Application Acceleration**

SSD Firmware

OEM Specific Firmware

DuraClass Enterprise & Client Firmware



**SandForce Flash
Storage Processors**

Networking Layer

Networking Stacks

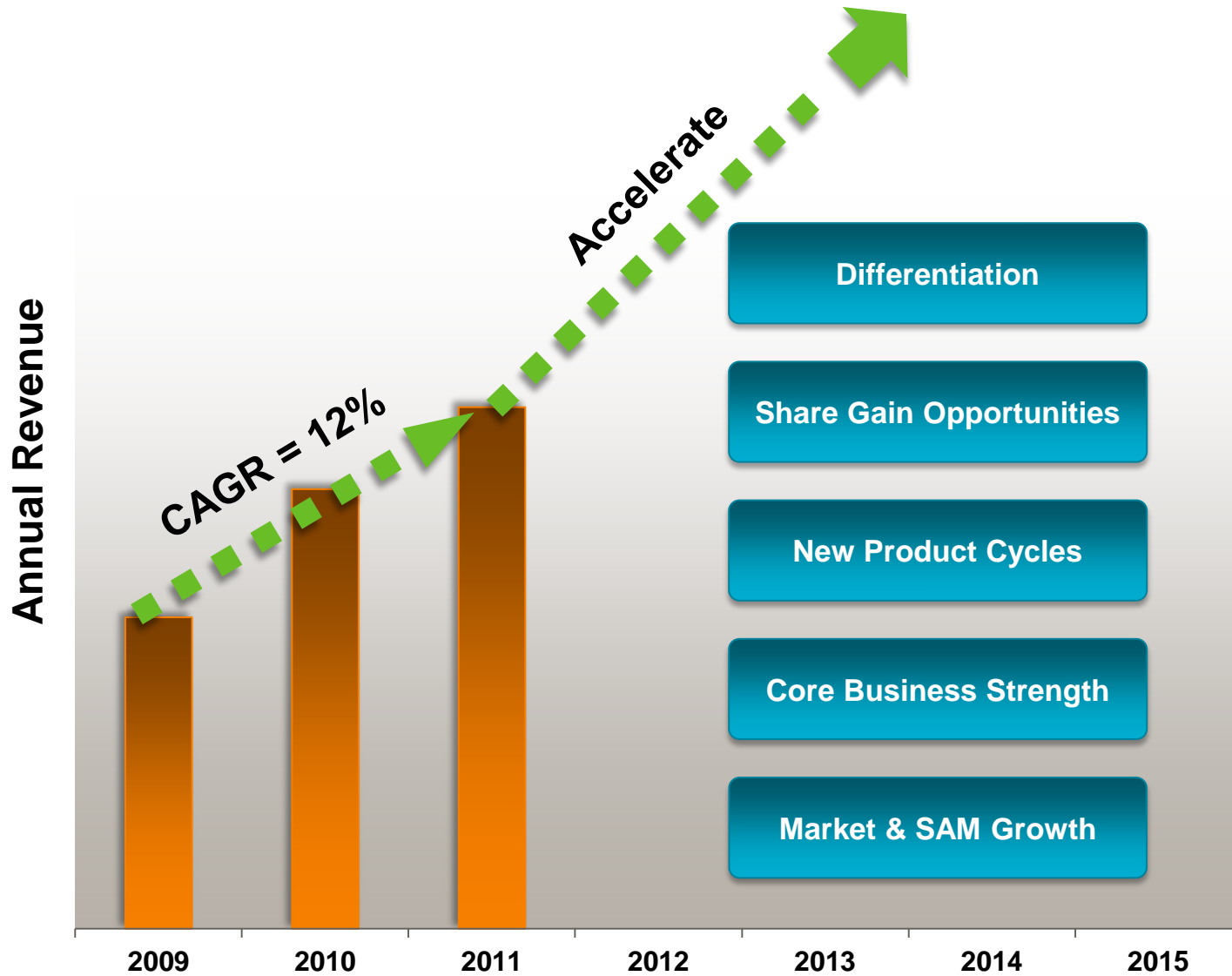
Acceleration APIs

Run Time & OS Drivers



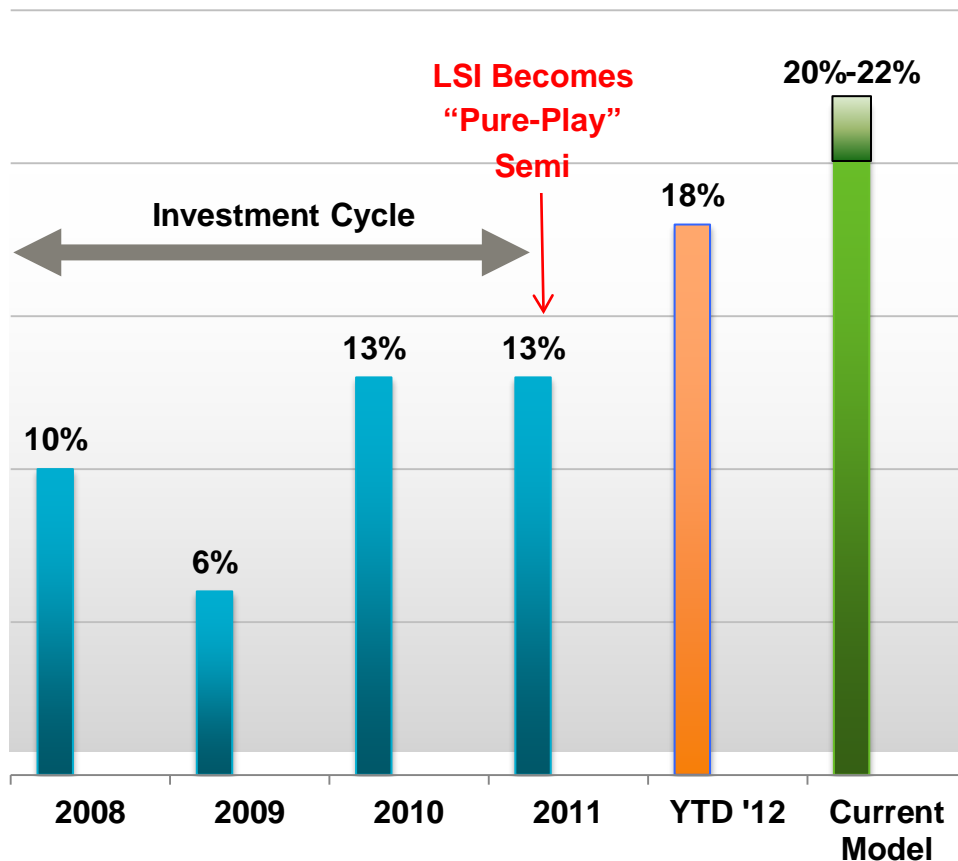
Axxia Platform

Driving Revenue Acceleration



Expanding Operating Margin Toward Business Model

LSI Non-GAAP Operating Margin



- Company managed to 8-12% operating margin* range by design during 2006-2010 investment period
- Emergence from investment cycle in 2H-2011 begins operating margin expansion cycle
- Generated 17.6% operating margin* through the first 3 quarters of 2012
- New business model target of 20-22% operating margins*

* Excluding Special Items

LSI Portfolio & Strategy



Networking and Storage Accelerated

Networking

Comms Processors

Custom Silicon

Storage

Server & Storage Connectivity Solutions

Flash Storage Processors

PCIe Flash Solutions

HDD SoCs & Pre-Amps

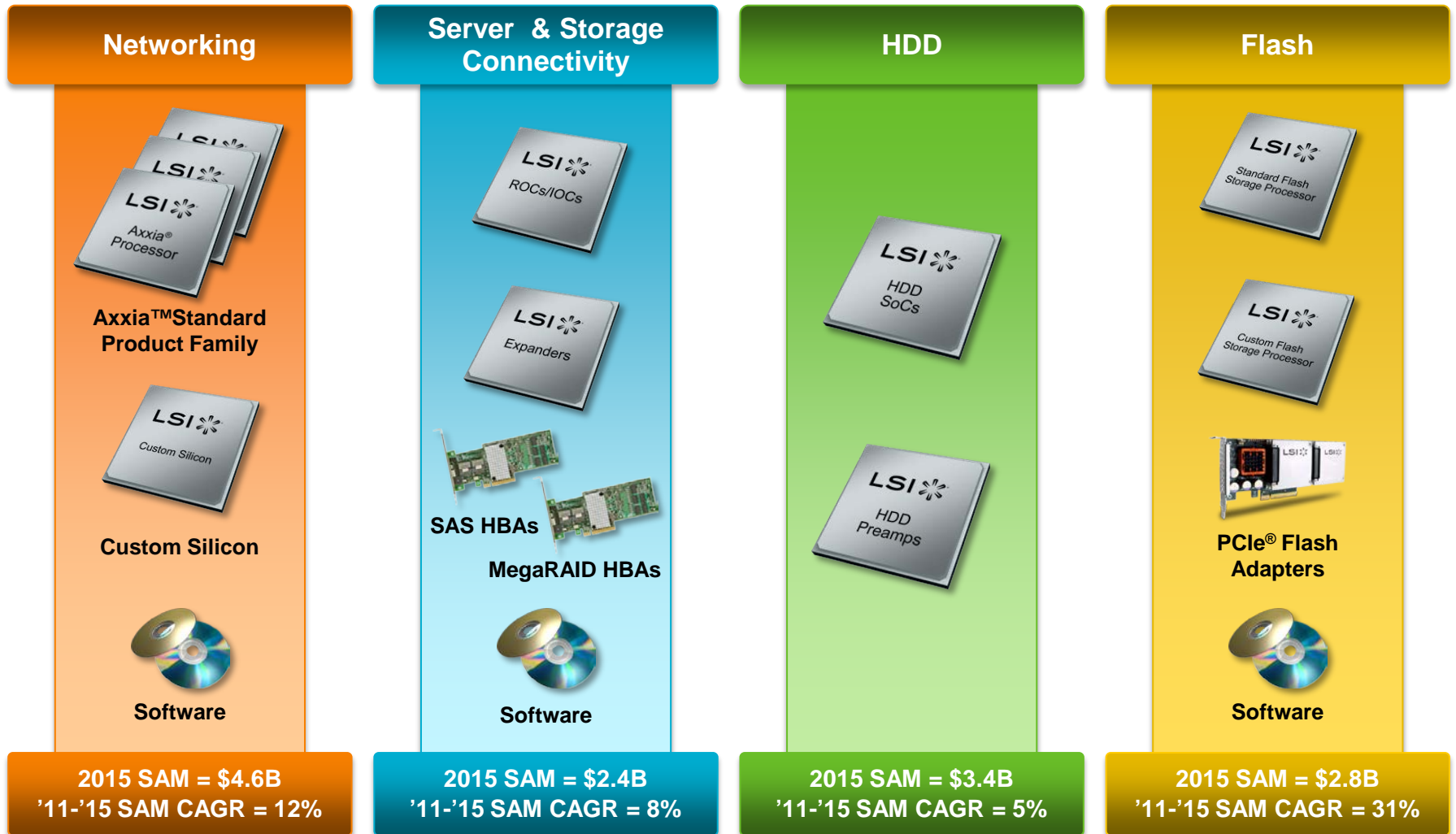
Corporate Strategy

- Greater focus and market/application led approach
- Category scale (be #1 or #2) in the segments we participate in
- “Platform strategy” that delivers more pieces of a solution
- High level of customer centricity with market leaders
- Deliver higher levels of value (FW, SW, etc..)

Business Strategy: “How We Win”

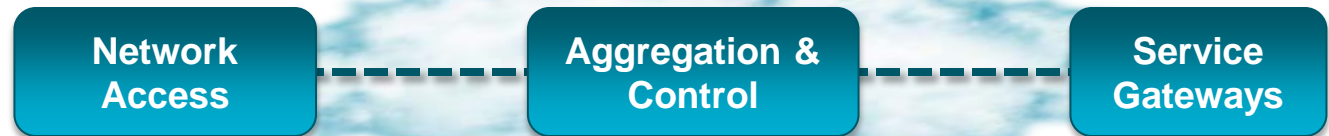
- TTM execution on critical technology or platform transitions
- Leverage of Si-SW-Sys capability to deliver leadership products
- Using a platform oriented approach and unparalleled breadth
- Customer intimacy, OEM customization, and no conflict model
- Delivering highly interoperable, stds based, enterprise products

Broad Product Offerings: Silicon and Software Solutions



LSI 2015 SAM = \$13.2B, '11-'15 CAGR = 12%

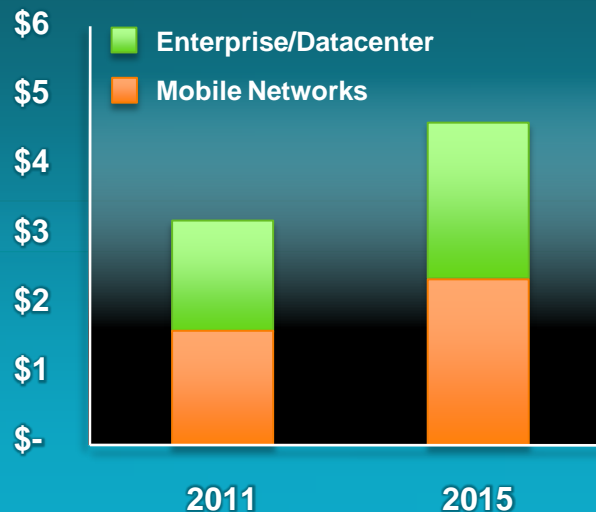
Networking Market Size and Growth



Mobile Networks

Enterprise/
Datacenter

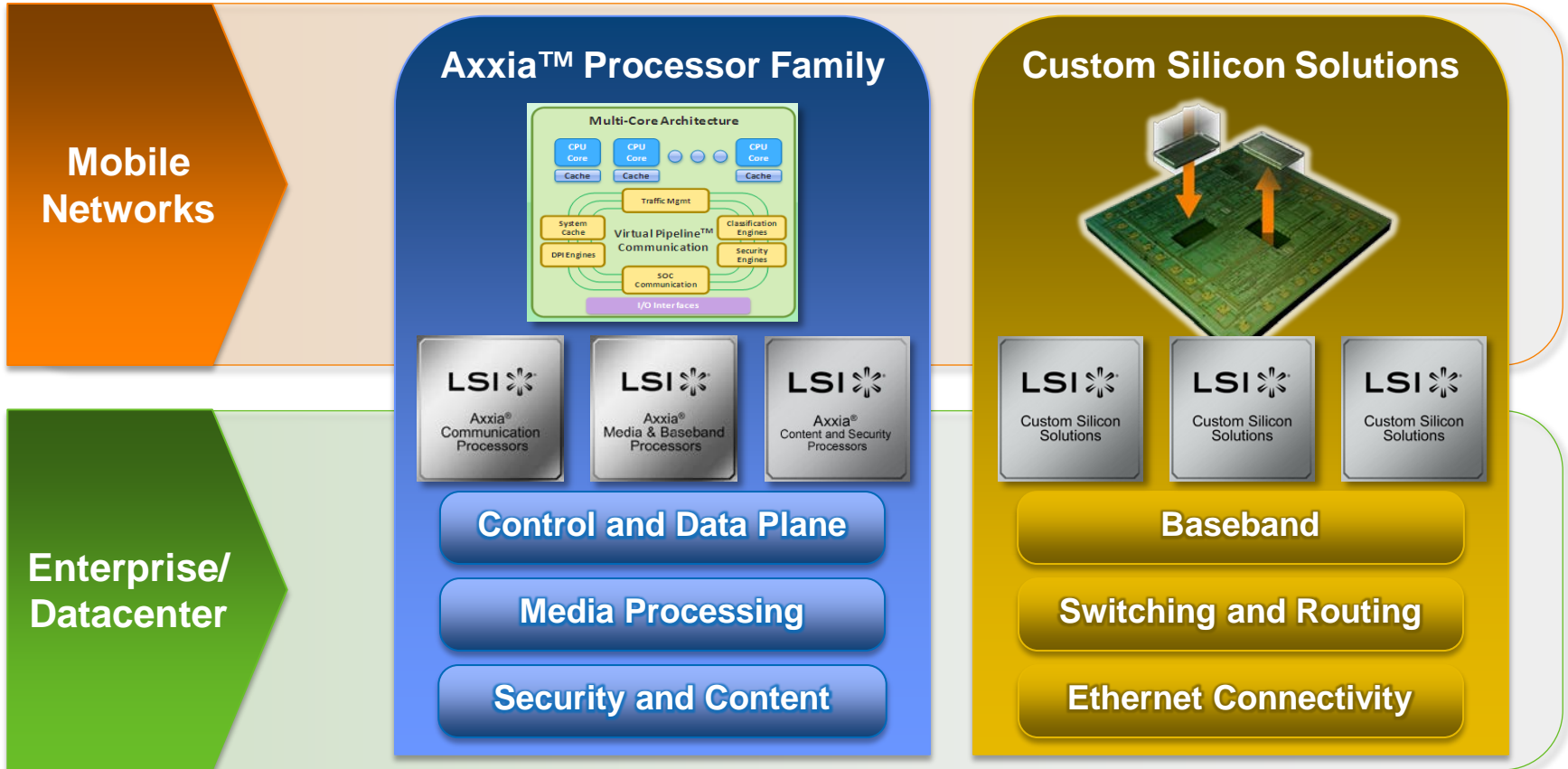
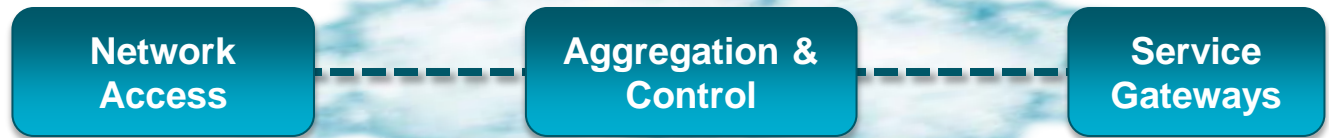
Networking SAM (\$B)



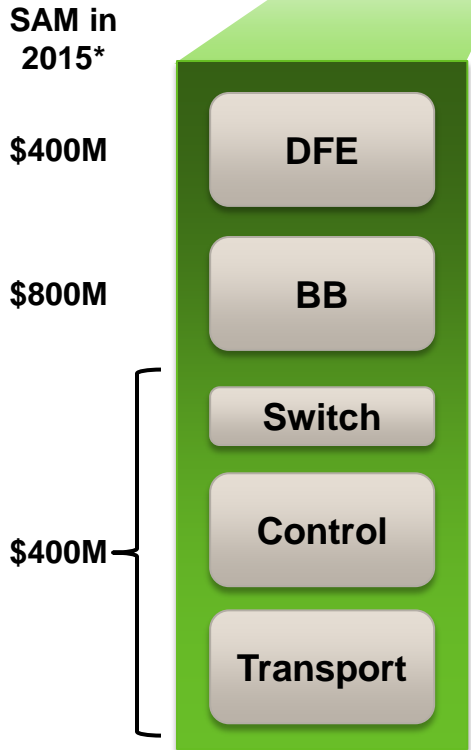
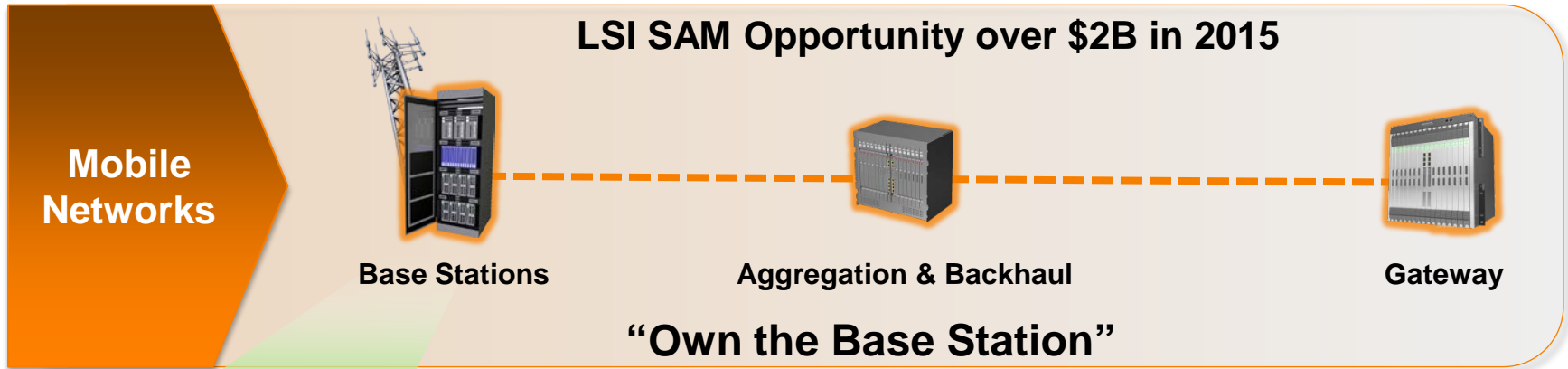
Source: IDC, Dell'Oro, and LSI estimates.

- Large and growing markets
- Strong position with market leading customers
- Revenue growth of 28% CAGR in investment areas over past 5 years
- Gaining share in key platforms

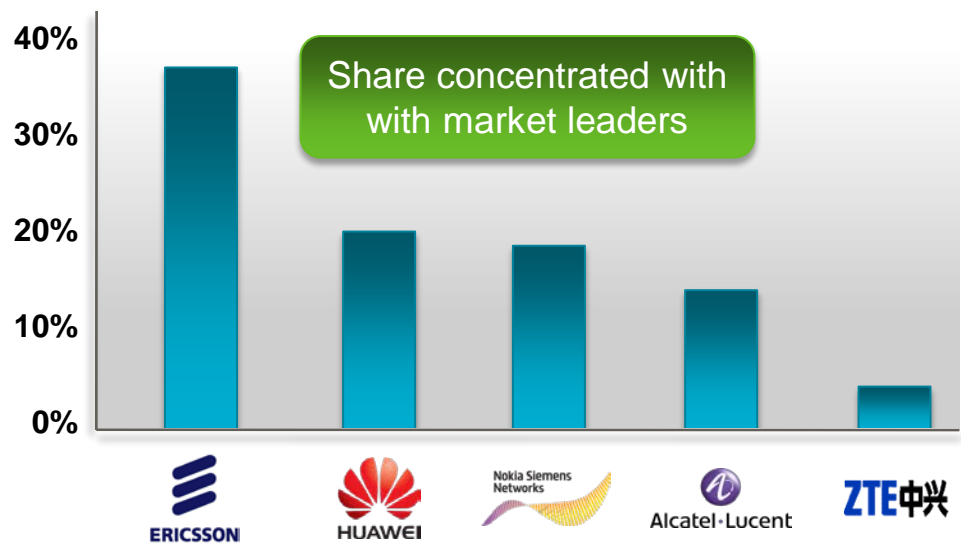
Networking Product Categories



Wireless Access Overview



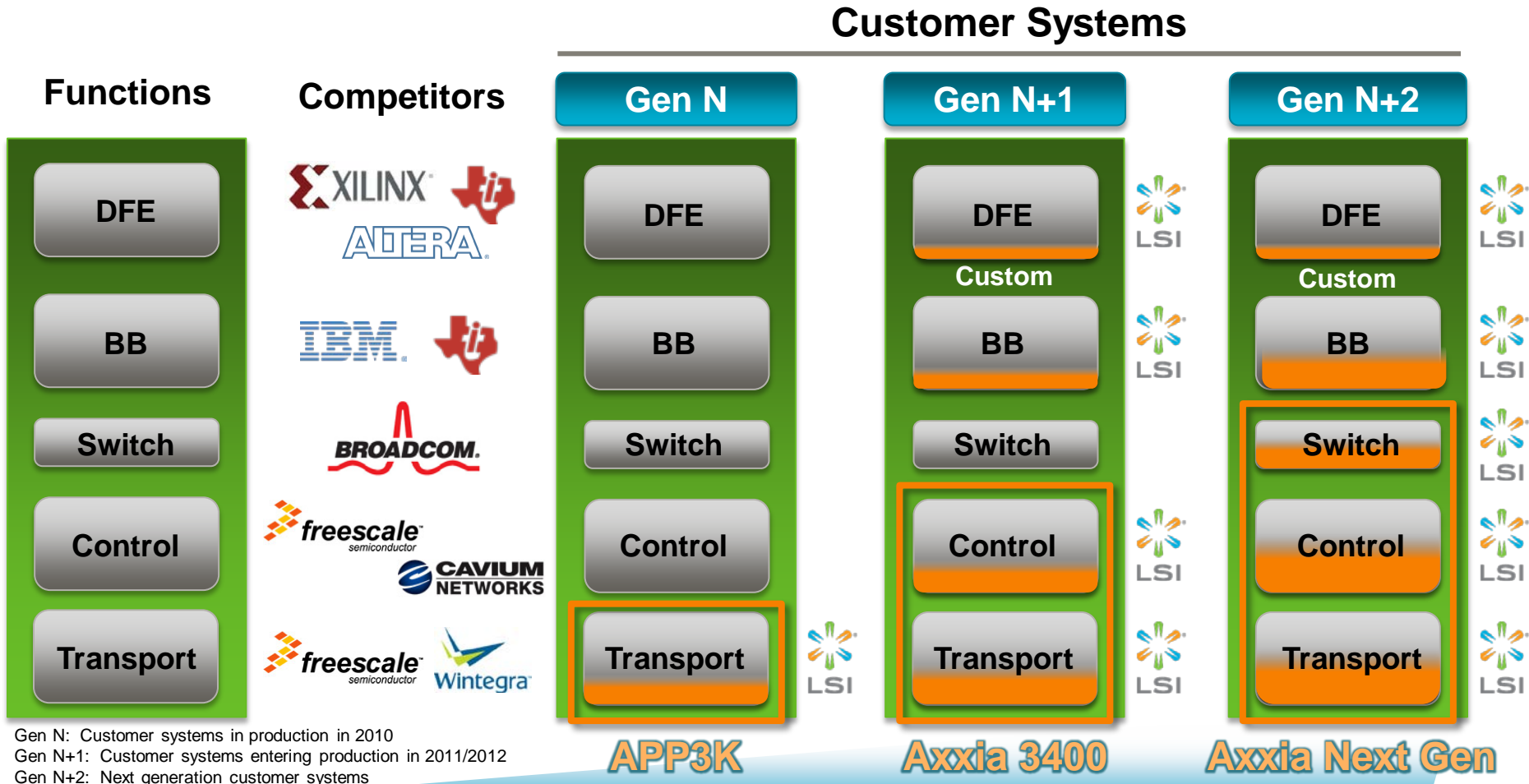
System Vendor Market Share



Source: Dell'Oro Mobility Report Q4 2011, Market share by revenue for 2011

LSI Base Station Expansion

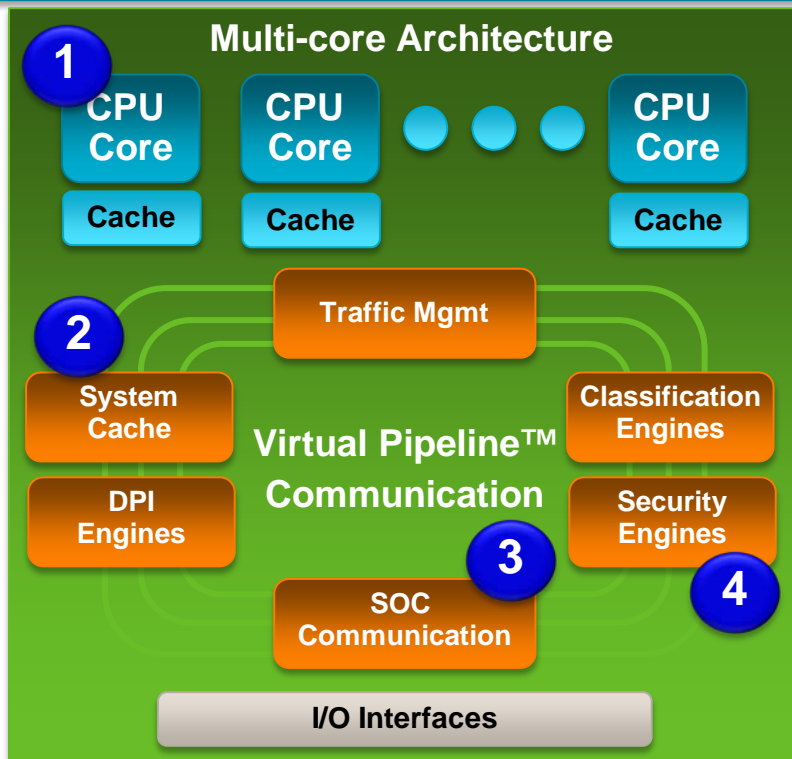
Function ← LSI Design Win Share (Approximate)



- Secured over 50% of available share with Axxia Next Gen
- Continued progress in Baseband with over 40% share secured
- Opportunity to expand share in DFE

Why LSI is Winning in Base Stations

Unique Value with Axxia Processors



Ingredient	Description
1. Multi-core	Leadership multi-core processing roadmap with ARM-LSI partnership
2. Acceleration	Purpose built acceleration engines to handle compute intensive tasks
3. Interconnect	“Virtual Pipeline” interconnect allows C-programmable flexibility
4. Integration	Multi-generational roadmap of integration of additional content

Deep Customer Relationships

“We have a long history of successful collaboration in mobile networking and we look forward to continuing to bring new innovation to market with LSI.”

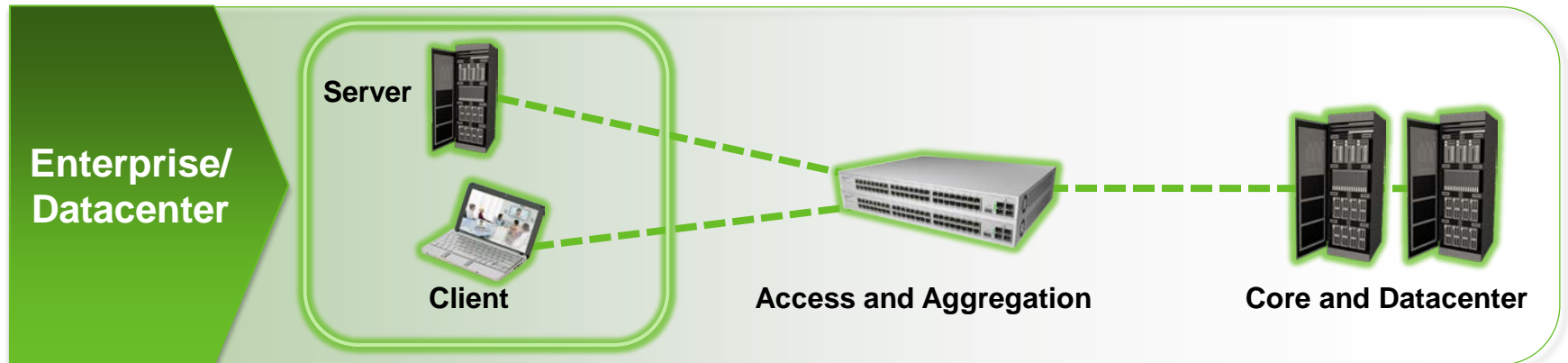
– CTO, A major Tier 1 Customer

“Nokia Siemens Networks and LSI have a long history of working together and we are developing a unique solution for the baseband, control, and transport processing as part of Nokia Siemens Networks’ base station systems.”

– Tommi Uitto, Head of LTE business line for Nokia Siemens Networks

Enterprise/Datacenter Networking Overview

LSI SAM Opportunity over \$2B in 2015



Server Connectivity to the Network:

- Ethernet: 1G and 10G LAN on Motherboard (LoM)
- SAN: Over 80% share on FC/FCoE connectivity

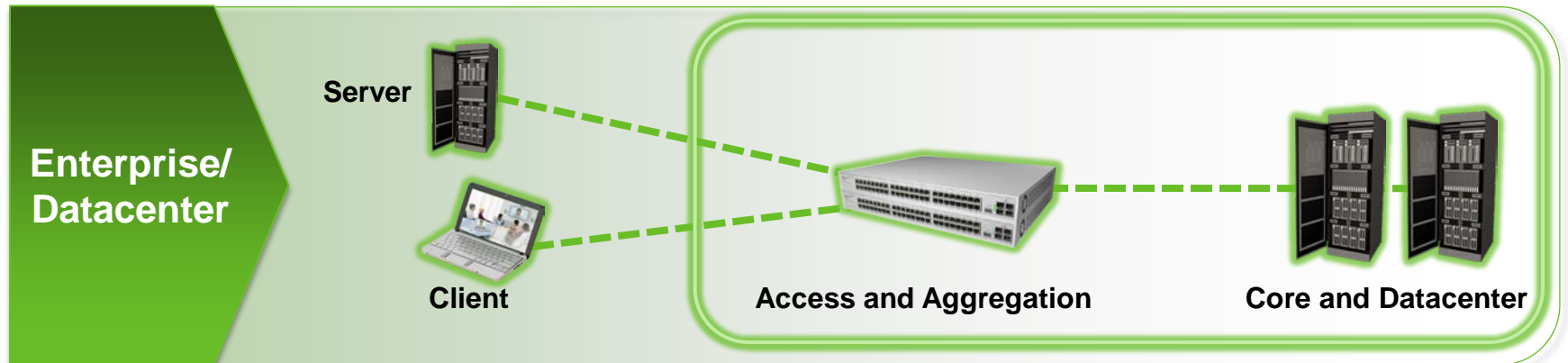


Client Connectivity to the Network:

- 1st to Market with Energy Efficient Ethernet (EEE) PHY
- 50M+ EEE PHY ports shipped in 2011

Enterprise/Datacenter Networking Overview

LSI SAM Opportunity over \$2B in 2015



Functions

Processor

Switch &
Fabric

PHY



- Axxia integrates multicore and control plane acceleration
- Won line card control plane socket with leading Tier 1



- Custom solutions for layer 2/3 switching and routing
- Tier 1 wins in access, aggregation, and data center



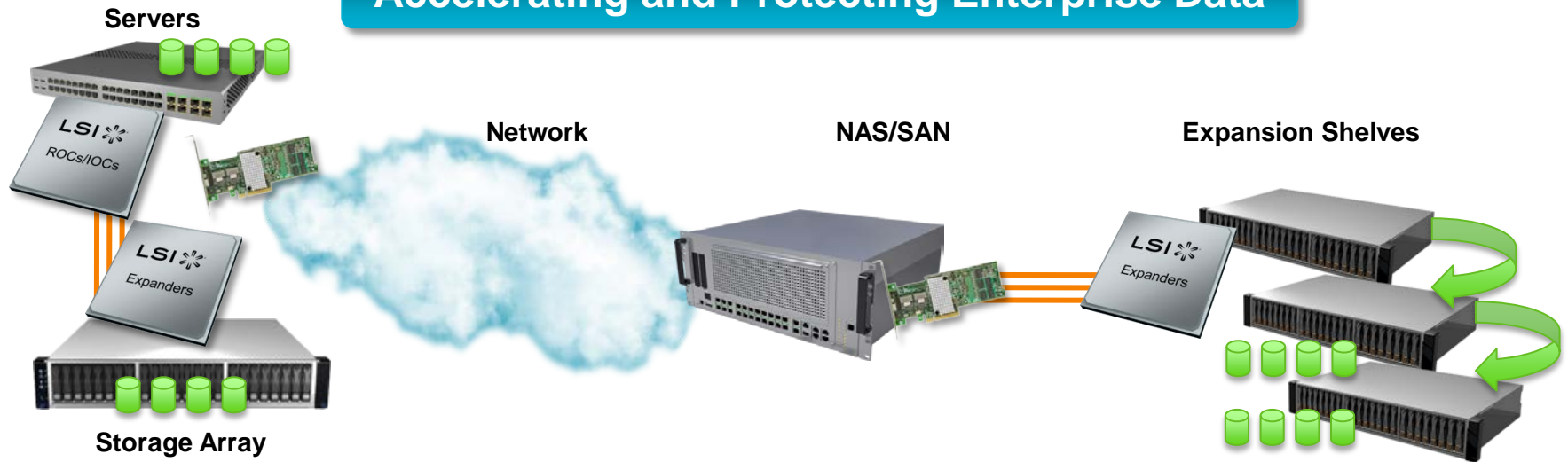
- Discrete and integrated PHY solutions
- Tier 1 wins in access and aggregation switching



“Cisco's Unified Computing System and the Nexus family of data center switches are two of Cisco's fastest growing product families. We are pleased to have LSI as a strategic partner with their ability to deliver both standard and custom solutions as we define our next generation solutions.” - David Yen, SVP/GM SAVTG, Cisco

LSI Competitive Advantage in SAS

Accelerating and Protecting Enterprise Data



LSI Differentiation

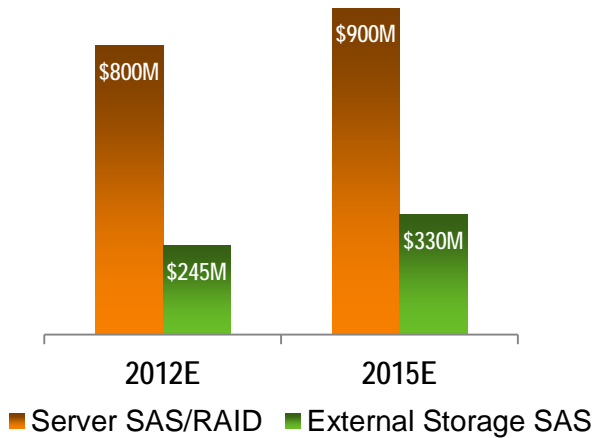
- Leading technology transitions
- Broadest server to external storage solutions
- Integrated MegaRAID software solutions
- Advanced feature sets
- Accelerating TTM with performance leadership

Favorable Market Trends

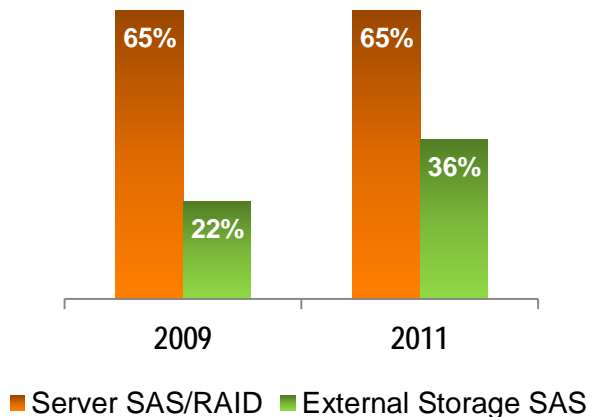
- Continued refresh cycle for Servers
- Virtualization & multi-core driving faster I/O performance & flash adoption
- Strong market growth expected in Flash & External Storage

LSI SAS: Market Leader Continuing to Gain Share

LSI SAS Opportunity



LSI Share



LSI 12G SAS

At least 6 months ahead of nearest competitor

Share Gain Opportunities

Intel Romley Servers

Channel Growth

12Gb SAS Transition

All Key Server/Storage OEM's using LSI SAS & MegaRAID Solutions



SAS Growth Opportunities

Share Gains



- Incremental share gains in SAS with Romley Server launch
- All top 10 Server OEMs now using LSI 6G SAS IC technology
- External storage share gains with 12G SAS Expander
- Further expansion in the channel

Increasing Software Content



- New advanced storage protection opportunities
 - Business continuity solutions for protection from server failure
 - More efficient protection schemes for the Mega Datacenter

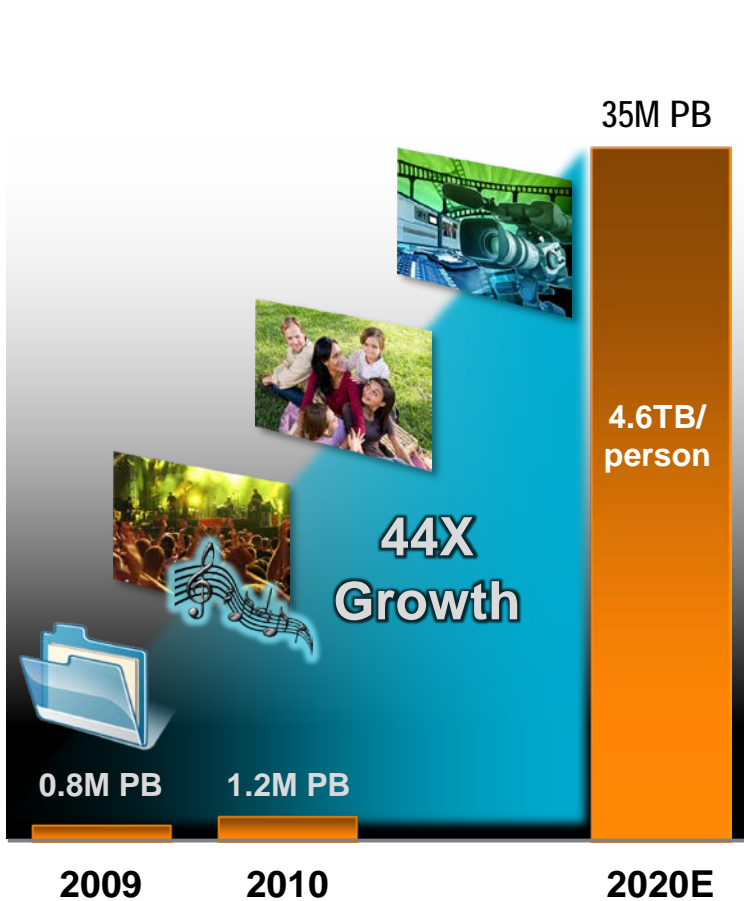
New Deployment Models



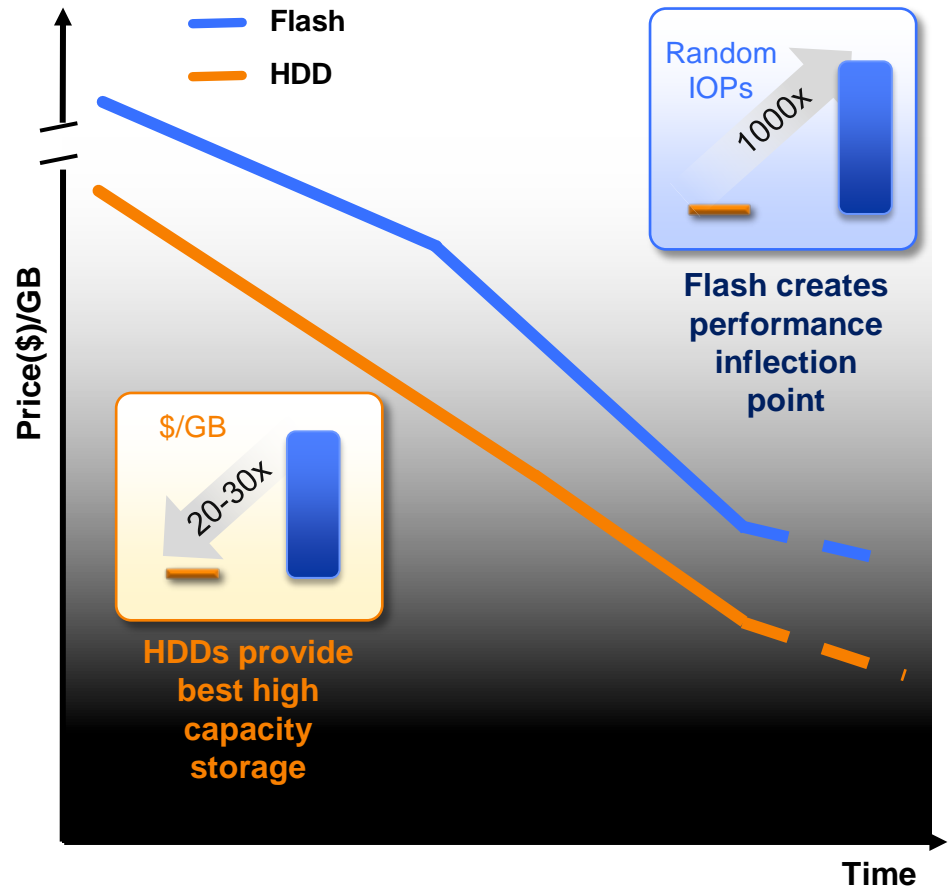
- Evolving DAS architectures for Departmental / SMB and Mega Datacenter
 - New Direct Attach shared storage with High Availability
 - Mega Datacenter storage consolidation & protection for lower TCO

World Needs High-Capacity, Low-Cost & High-Performance Storage

Demand for Storage Exploding



HDDs and Flash Meet Different Storage Needs



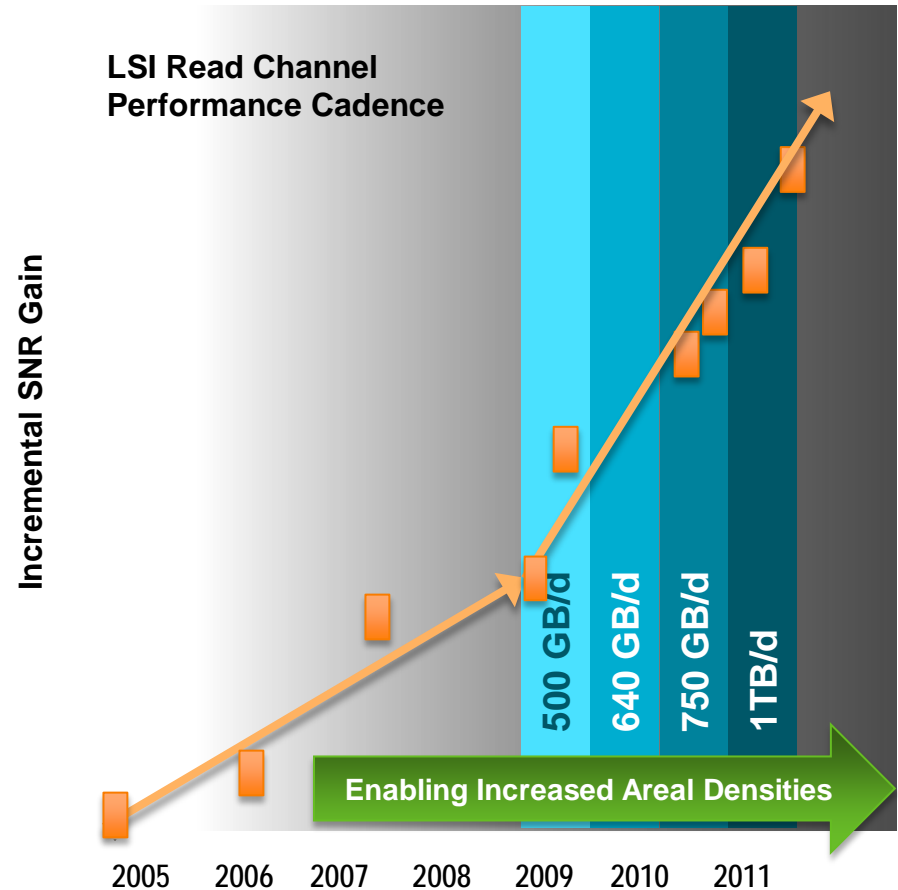
Source: IDC, "The Digital Universe Decade — Are You Ready?" May 2010

Winning in HDD SoCs: Most Advanced Read Channels

LSI Differentiation

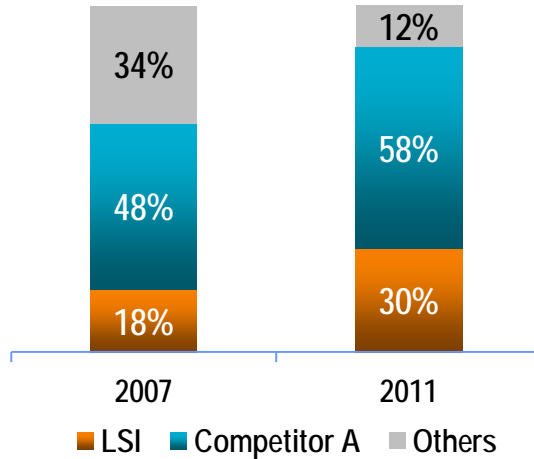
- Enabling increased areal density
- Accelerating Read Channel cadence
- Leading technology transitions
 - 1st to market in 3 consecutive gens: 65nm, 40nm, 28nm
 - Smaller die size, lower power, higher frequency
- Signal to noise algorithm leader
 - 1st to introduce 40nm Low Density Parity Check (LDPC)
 - 1st to introduce 28nm LDPC SoC

SoC Benchmark	LSI vs. Competitor A	
3.5" Capacity/disk	1 TB/d equivalent	
Process	TSMC 40nm	
Max Data Rate (GHz)	LSI Storage. Networking. Accelerated.	60% Faster
Die Size (mm ²)	LSI Storage. Networking. Accelerated.	7% Smaller
RC Size (mm ²)	LSI Storage. Networking. Accelerated.	25% Smaller
Digital Power	LSI Storage. Networking. Accelerated.	25% Lower



Well Positioned in the HDD Market Segment

HDD SoC Share



TOSHIBA

HDD business is on a strong foundation

- Solid competitive position, large market, solid roadmap

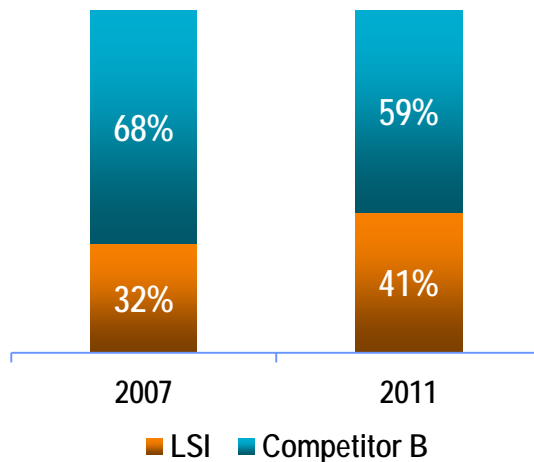
Significant share gains in 2011

- Favorable market trends – consolidation of supply base
- OEM's driving dual-source strategy

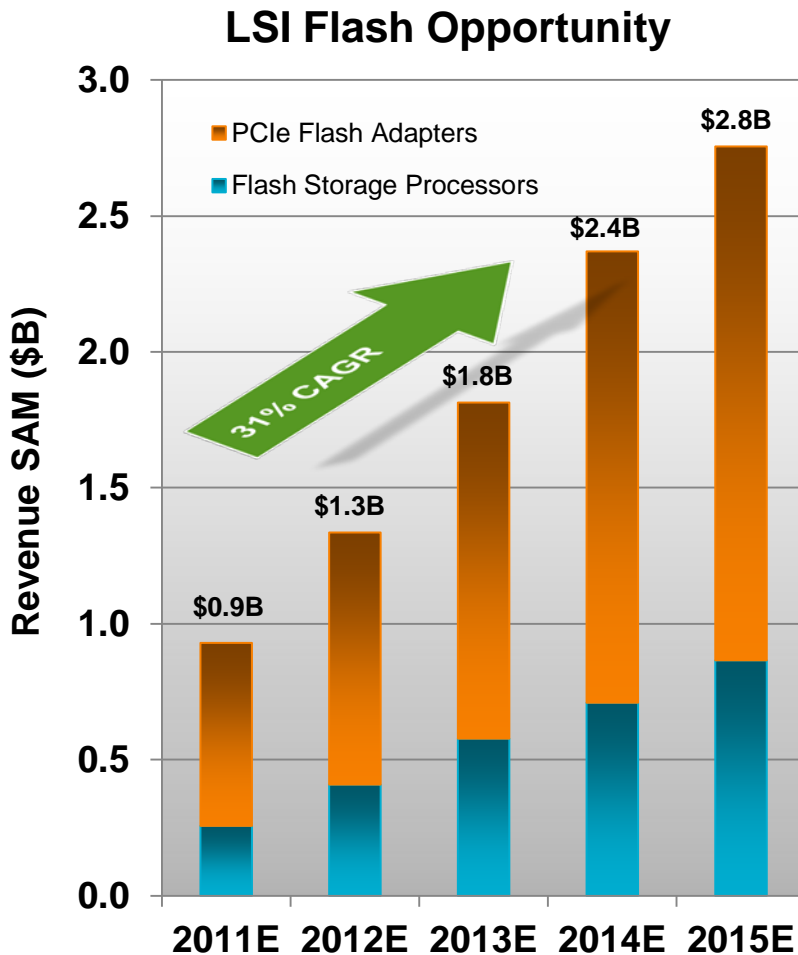
Well positioned for additional growth

- New SoC product cycles
- Multi-year share gains in preamps underway
- Shipping SoCs to all HDD Customers

HDD Preamp Share



LSI: Expanding into Rapidly-Growing Flash Solutions



PCIe Flash Adapters

- For Enterprise and Cloud Applications
- Built on Industry-Leading LSI MegaRAID™

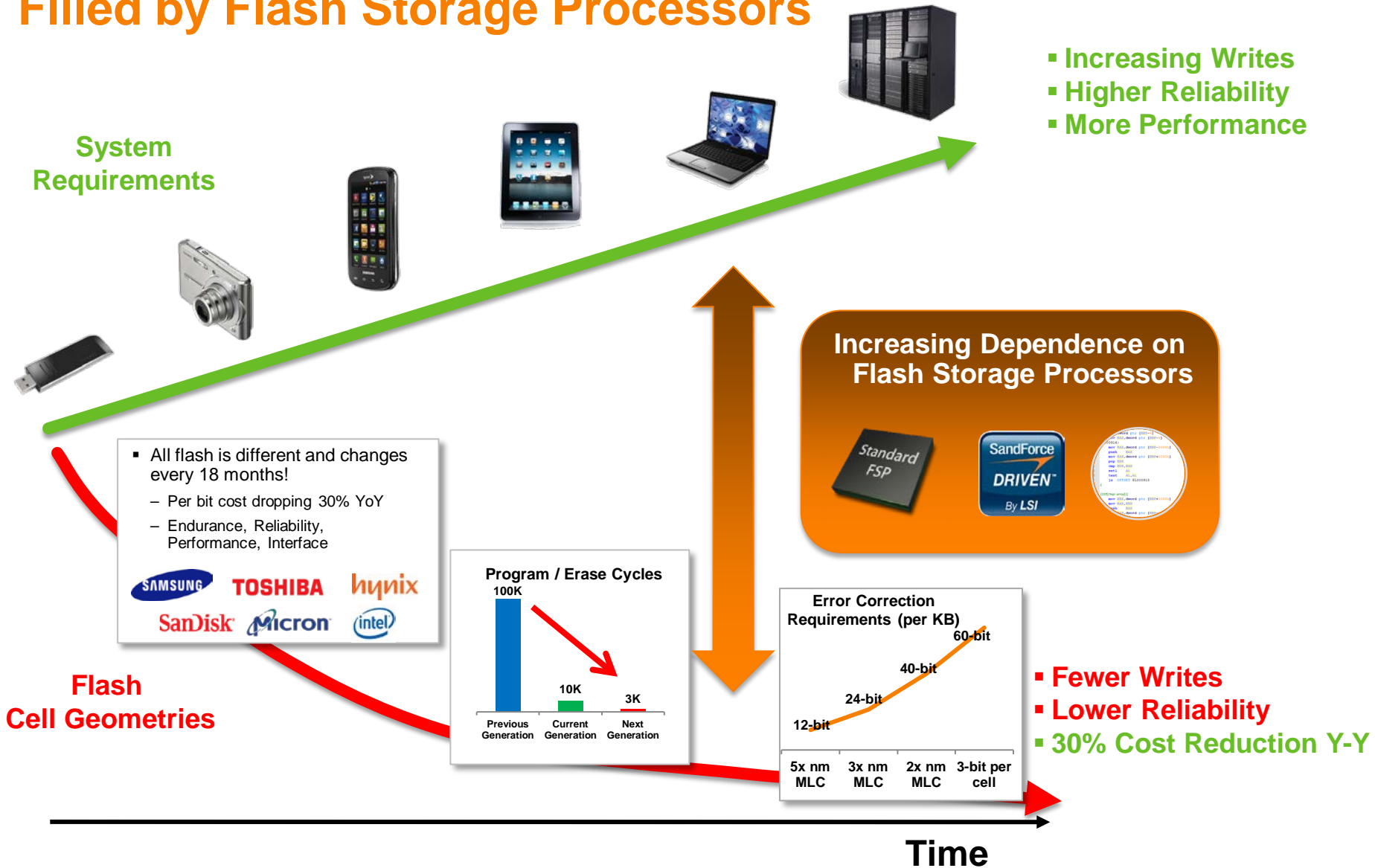


Flash Storage Processors (FSPs)

- For Enterprise, Cloud, Client and Ultrabook™ SSDs
- Built on Industry-Leading LSI SandForce™ and Custom Silicon Technology



Growing Gap between System Requirements and Flash Filled by Flash Storage Processors



Why LSI in Flash Storage Processors

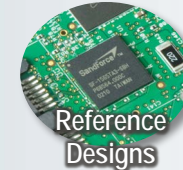
Industry Recognized Leader in Flash Storage Processors



- Only vendor supporting flash from ALL 6 flash suppliers
- Only vendor supplying custom FSPs to multiple flash suppliers
- Best-in-class performance and reliability



Complete Product Portfolio



Flexible Engagement Model

- Standard through full-custom engagement models
- Ability to customize to specific flash technology (per generation)
- Only company that provides complete solution including firmware

Strong Technology base in Custom & Storage Silicon

- Leading Intellectual Property (i.e. Interfaces, Processors, etc)
- Strong leadership in Industry Standards

The Coming Evolution of Enterprise Flash Solutions

2015 TAM

\$500M

\$1.4B

Additional
Growth
Opportunity

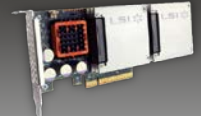
Flash Segment

High capacity, PCIe flash
for primary storage

Mid capacity flash with
Seamless Caching /
Acceleration Software

Low capacity flash with
Seamless Caching /
Acceleration Software

Nytro
WarpDrive



Nytro XD



Nytro
MegaRAID



LSI has products and
technologies to address
all segments

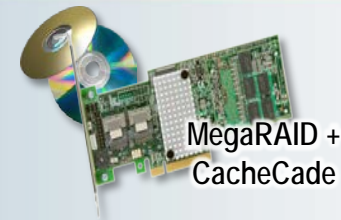
Source: IDC 2012

Why LSI in Enterprise PCIe Flash Adapters

Uniquely Positioned in PCIe Flash Solutions

- Fully offloaded architecture does not tax server CPU
- Low-host memory footprint
- Based on industry-leading SandForce Flash Storage Processor

Complete PCIe Flash Solution Portfolio



Proven Enterprise Experience

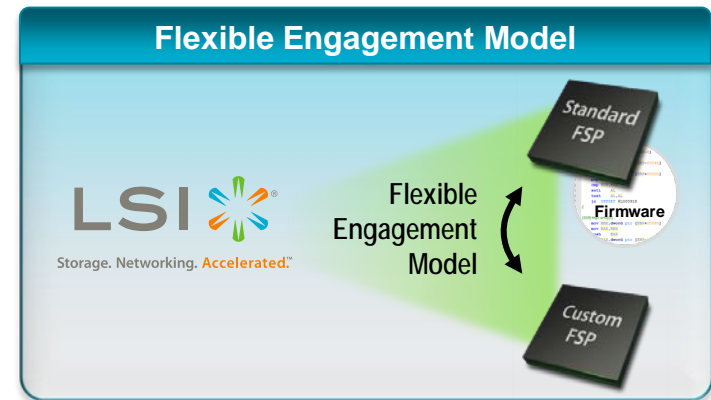
- Key supplier to all major OEMs for servers and storage
- Generations of successful validation in server ecosystem

Technologies and Capabilities for Sustained Advantage

- 9 of the top 10 server OEMs run on LSI's MegaRAID software
- Nytro portfolio offers full range of flash capacity with seamless caching & acceleration software → Unique in the industry
- Full portfolio for storage ecosystem (HDD, SSD, RAID, Flash)
- Industry-leading LDPC error correction - key for future Flash

Well-Positioned to Lead in Flash

- **Industry-Leading Technology**
- **Complete Portfolio of Products**
 - Ultrabook/Notebook Flash Storage Processors
 - Enterprise Flash Storage Processors
 - Enterprise Flash Solutions
- **Flexible Engagement Model**
 - Standard Product Flash Storage Processors for quick TTM
 - Custom Flash Storage Processors for highly-tailored solutions
- **Large and Growing Customer Base**
 - Flash Suppliers
 - Server and System OEMs
 - Datacenter/Cloud
 - Ultrabook Notebook Manufacturers
- **Fast Growing Market**



LSI is a Solid Business with New Growth Drivers

Core Business Strength



- **HDD:** Leading the technology migration curve in HDD SoCs; #2 supplier
- **SAS:** Broadest portfolio of SAS silicon & RAID software in the industry; #1 supplier
- **Networking:** Investment areas growing at a 28% CAGR over the past 5 years
- **Flexible business model:** Able to provide standard or integrated custom products

New Product Cycles



- SandForce Flash Storage Processors in Computing and Enterprise
- PCIe at Server and Web2.0 customers
- Axxia Multi-core processors in Base Stations & Enterprise applications
- Custom products in Wireless & Enterprise

Share Gain Opportunities



- HDD SoC shipments to new customers and Preamp expansion
- Enterprise HDD SoCs
- Romley and 12Gb SAS inflection points for Server silicon & software
- Growth in the Channel for Server solutions



Storage. Networking. **Accelerated.**[™]