STEC, INC.
Non-GAAP Reconciliations
For the Fourth Quarter and Full-Year Ended December 31, 2010

The non-GAAP financial measures included in the following tables are non-GAAP gross profit, non-GAAP gross profit percentage, non-GAAP operating expenses, non-GAAP operating income, non-GAAP operating margin percentage, non-GAAP income from continuing operations and non-GAAP diluted earnings per share from continuing operations, which adjust for the following items: (a) Malaysian facility start-up costs, (b) employee stock compensation expense, (c) employee severance, (d) IP litigation costs, (e) securities and derivative action litigation costs, (f) special charges related to restructuring costs, (g) Malaysia government incentive grant income and (h) contract termination settlement proceeds. Management believes these non-GAAP financial measures enhance an investor's overall understanding of the Company's financial performance and future prospects by being more reflective of the Company's core, recurring operational activities and are more comparable with the results of the Company over various periods. Management uses non-GAAP financial measures internally for strategic decision making, forecasting future results and evaluating current performance. Non-GAAP financial measures are not prepared in accordance with GAAP; therefore, the information is not necessarily comparable to other companies' financial information and should be considered as a supplement to, not a substitute for, or superior to, the corresponding measures calculated in accordance with GAAP.

Details of the items excluded from GAAP financial results in calculating non-GAAP financial measures are as follows:

a) The Malaysia facility start-up costs relate primarily to expenses associated with the Company's manufacturing facility in Penang, Malaysia in which construction was completed in 2008. During 2008 and the first quarter of 2009, the Company used this facility to train production employees, obtain facility certifications such as ISO certification, install the necessary accounting and information systems and conduct customer audits to better prepare for the full-scale transition of the Company's U.S. operations to Malaysia in 2009. As full-scale production was not completely transitioned to Malaysia until the second quarter of 2009, management believes excluding Malaysia start-up costs from the Company's operations for the reporting periods through the first quarter of 2009 provides investors with a better means of evaluating the Company's operations during the Malaysia facility start-up periods.

b) Employee stock compensation costs incurred in connection with Accounting Standards Codification 718, "Compensation -- Stock Compensation," have been excluded as management omits these expenses when evaluating its core operating activities, for strategic decision making, forecasting future results and evaluating current performance.

c) Employee severance relates to one-time costs incurred related to the termination of certain U.S.-based employees. The Company provides compensation to certain employees as an accommodation upon termination of employment without cause. Management believes that excluding severance costs from operating results provides investors with a better means for measuring current Company performance.

d) Intellectual property litigation costs relate to a patent infringement suit filed against us by a competitor on April 14, 2008. The Company filed an answer to the lawsuit asserting affirmative defenses of non-infringement, invalidity and counter-claimed for a declaratory judgment of non-infringement, invalidity, and unenforceability for all patents in question plus legal fees and costs. In February 2009, the lawsuit was mutually dismissed by both parties and no further costs have been incurred by the Company related to this matter after the first quarter of 2009. Management believes that legal and consulting fees incurred in conjunction with this lawsuit for the periods presented should be excluded when evaluating core operations since management believes these costs are non-recurring.

e) In the fourth quarter of 2009 and first quarter of 2010, certain class action securities complaints and shareholder derivative actions were filed against the Company and certain officers and directors of the Company. Under the Company's Directors and Officers insurance policies, the Company was required to pay a deductible of $500,000 for the initial attorneys' fees and costs incurred related to these lawsuits. After the first $500,000 of attorneys' fees and costs were incurred in the fourth quarter of 2009, and until the Company's policy limits are exhausted, the insurance carriers, subject to their reservations of rights to deny or limit coverage, should be responsible for covering a substantial portion of the attorneys' fees and costs associated with the Company's defense of these actions. Management believes the insurance policy deductible is a non-recurring expense and should be excluded when evaluating core operations for fourth quarter of 2009.

f) Special charges relate to a restructuring plan that the Company implemented during the first quarter of 2009. The Company completed the first phase of the restructuring plan at the end of the first quarter of 2010 and started the second phase of the restructuring plan in the second quarter of 2010. These charges include expenses related to a reduction in the Company's workforce and asset impairment charges. The special charges primarily impacted U.S.-based operations and employees as part of the overall transition of certain operations to the Company's facility in Penang, Malaysia. Management believes that costs incurred in connection with the restructuring plan, which were primarily related to workforce reduction severance costs and consolidation of facilities expenses are non-recurring in nature and should be excluded when evaluating core operations.

g) Malaysia government grant incentive income relates to proceeds received from the Ministry of International Trade and Industry ("MITI") in Malaysia. The grants are provided by MITI as incentive for the Company incurring research and development expenses and employee training costs for its operations in Malaysia. Since the grants represent reimbursement of expenses that were previously included by the Company as a non-GAAP item under Malaysia start-up costs, the Company has reversed the related grant reimbursement income from its second quarter of 2010 non-GAAP results.

h) During the fourth quarter of 2010, the Company received proceeds in conjunction with a settlement received from a customer related to a termination of a contract. Since the contract settlement proceeds are non-recurring, management believes that it should be excluded when evaluating core operations.

STEC, INC.
Schedule Reconciling GAAP Income From Continuing Operations to Non-GAAP Income From Continuing Operations
($ in thousands, except per share amounts)
(unaudited)

	For the Quarters Ended			For the Year Ended	
	December 31,	December 31,	September 30,	December 31,	
	2010	2009	2010	2010	2009
GAAP income from continuing operations	$ 17,498	$ 24,508	$ 13,619	$ 28,701	$ 71,543
The non-GAAP amounts have been adjusted to exclude the following items:					
Excluded from cost of sales:					
Malaysian facility start-up costs (a)	$ -	$ -	$ -	$ -	$ 2,249
Employee stock compensation (b)	95	89	59	346	292
	95	89	59	346	2,541
Excluded from operating expenses:					
Malaysian facility start-up costs (a)	-	-	-	-	1,635
Employee stock compensation (b)	2,554	1,824	2,440	8,834	4,805
Employee severance (c)	-	-	-	84	-
IP litigation costs (d)	-	-	-	-	1,249
Securities and derivative action litigation costs (e)	-	500	-	-	500
Special charges - restructuring costs (f)	413	(126)	625	990	3,408
	2,967	2,198	3,065	9,908	11,597
Excluded from other income:					
Malaysia government incentive grant income (g)	-	-	-	(327)	(560)
Contract termination settlement proceeds (h)	(2,000)	-	-	(2,000)	-
	(2,000)	-	-	(2,327)	(560)
Total non-GAAP adjustments before income tax	1,062	2,287	3,124	7,927	13,578
Income tax effect on non-GAAP adjustments	(83)	(464)	(425)	(1,386)	(3,029)
Net effect of adjustments to GAAP net income	979	1,823	2,699	6,541	10,549
Non-GAAP income from continuing operations	$ 18,477	$ 26,331	$ 16,318	$ 35,242	$ 82,092
GAAP diluted earnings per share from continuing operations	$ 0.34	$ 0.47	$ 0.26	$ 0.56	$ 1.41
Impact of non-GAAP adjustments on diluted earnings per share	0.01	0.04	0.05	0.13	0.20
Non-GAAP diluted earnings per share from continuing operations	$ 0.35	$ 0.51	$ 0.31	$ 0.69	$ 1.61

(a) - (h) See corresponding footnotes above.

STEC, INC.
Selected Non-GAAP Financial Information
($ in thousands)
(unaudited)

	For the Quarters Ended			For the Year Ended,	
	December 31, 2010	December 31, 2009	September 30, 2010	December 31, 2010	December 31, 2009
GAAP gross profit	$ 42,488	$ 53,926	$ 39,923	$ 121,719	$ 168,947
Malaysia facility start-up costs (a)	-	-	-	-	2,249
Employee stock compensation (b)	95	89	59	346	292
Non-GAAP gross profit	$ 42,583	$ 54,015	$ 39,982	$ 122,065	$ 171,488
GAAP gross profit %	45.2%	50.9%	46.4%	43.4%	47.7%
Effect of reconciling item on gross profit %	0.1%	0.1%	0.1%	0.2%	0.7%
Non-GAAP gross profit %	45.3%	51.0%	46.5%	43.6%	48.4%
GAAP operating expenses	$ 25,687	$ 23,388	$ 24,857	$ 93,157	$ 79,784
Malaysia facility start-up costs (a)	-	-	-	-	(1,635)
Employee stock compensation (b)	(2,554)	(1,824)	(2,440)	(8,834)	(4,805)
Employee severance (c)	-	-	-	(84)	-
IP litigation costs (d)	-	-	-	-	(1,249)
Securities and derivative action litigation costs (e)	-	(500)	-	-	(500)
Special charges - restructuring costs (f)	(413)	126	(625)	(990)	(3,408)
Non-GAAP operating expenses	$ 22,720	$ 21,190	$ 21,792	$ 83,249	$ 68,187
GAAP operating income	$ 16,801	$ 30,538	$ 15,066	$ 28,562	$ 89,163
Malaysia facility start-up costs (a)	-	-	-	-	3,884
Employee stock compensation (b)	2,649	1,913	2,499	9,180	5,097
Employee severance (c)	-	-	-	84	-
IP litigation costs (d)					1,249
Securities and derivative action litigation costs (e)	-	500	-	-	500
Special charges - restructuring costs (f)	413	(126)	625	990	3,408
Non-GAAP operating income	$ 19,863	$ 32,825	$ 18,190	$ 38,816	$ 103,301
GAAP operating margin %	17.9%	28.8%	17.5%	10.2%	25.2%
Effect of reconciling items on operating margin %	3.2%	2.2%	3.6%	3.7%	4.0%
Non-GAAP operating margin %	21.1%	31.0%	21.1%	13.9%	29.2%

(a) - (f) Refer to the corresponding footnotes above.