

**CREE, INC.**  
**FINANCIAL RESULTS BY OPERATING SEGMENT**  
(in millions of U.S. Dollars, except percentages)  
(unaudited)

The following table reflects the results of the Companys reportable segments as reviewed by the Companys Chief Executive Officer, its Chief Operating Decision Maker (CODM), for the three months and year ended June 30, 2019 and the three months and year ended June 24, 2018. The CODM does not review inter-segment transactions when evaluating segment performance and allocating resources to each segment. As such, total segment revenue is equal to the Companys consolidated revenue.

	<b>Three Months Ended</b>		<b>Change</b>	
	<b>June 30, 2019</b>	<b>June 24, 2018</b>		
Wolfspeed revenue	\$134.2	\$110.0	\$24.2	22 %
<i>Wolfspeed percent of revenue</i>	53%	41%		
LED Products revenue	117.0	155.8	(38.8)	(25)%
<i>LED Products percent of revenue</i>	47%	59%		
<b>Total revenue</b>	<b>\$251.2</b>	<b>\$265.8</b>	<b>(\$14.6)</b>	<b>(5)%</b>

	<b>Year Ended</b>		<b>Change</b>	
	<b>June 30, 2019</b>	<b>June 24, 2018</b>		
Wolfspeed revenue	\$538.2	\$328.6	\$209.6	64 %
<i>Wolfspeed percent of revenue</i>	50%	36%		
LED Products revenue	541.8	596.3	(54.5)	(9)%
<i>LED Products percent of revenue</i>	50%	64%		
<b>Total revenue</b>	<b>\$1,080.0</b>	<b>\$924.9</b>	<b>\$155.1</b>	<b>17 %</b>

	<b>Three Months Ended</b>		<b>Change</b>	
	<b>June 30, 2019</b>	<b>June 24, 2018</b>		
Wolfspeed gross profit	\$67.4	\$52.6	\$14.8	28 %
<i>Wolfspeed gross margin</i>	50%	48%		
LED Products gross profit	28.3	42.7	(14.4)	(34)%
<i>LED Products gross margin</i>	24%	27%		
Unallocated costs	(7.0)	(2.3)	(4.7)	(204)%
COGS acquisition related costs	—	(5.4)	5.4	100 %
<b>Consolidated gross profit</b>	<b>\$88.7</b>	<b>\$87.6</b>	<b>\$1.1</b>	<b>1 %</b>
<i>Consolidated gross margin</i>	35%	33%		

	<b>Year Ended</b>		<b>Change</b>	
	<b>June 30, 2019</b>	<b>June 24, 2018</b>		
Wolfspeed gross profit	\$258.7	\$158.5	\$100.2	63 %
<i>Wolfspeed gross margin</i>	48%	48%		
LED Products gross profit	150.0	157.9	(7.9)	(5)%
<i>LED Products gross margin</i>	28%	26%		
Unallocated costs	(17.7)	(9.0)	(8.7)	(97)%
COGS acquisition related costs	—	(5.4)	5.4	100 %
<b>Consolidated gross profit</b>	<b>\$391.0</b>	<b>\$302.0</b>	<b>\$89.0</b>	<b>29 %</b>
<i>Consolidated gross margin</i>	36%	33%		

## **Reportable Segments Description**

The Company's Wolfspeed segments products consists of silicon carbide (SiC) and gallium nitride (GaN) materials, and power devices and RF devices based on silicon (Si) and wide bandgap semiconductor materials. The Company's LED Products segments products consist of LED chips and LED components.

## **Financial Results by Reportable Segment**

The Company's CODM reviews gross profit as the lowest and only level of segment profit. As such, all items below gross profit in the consolidated statements of loss must be included to reconcile the consolidated gross profit presented in the preceding table to the Company's consolidated loss before taxes.

The Company allocates direct costs and indirect costs to each segment's cost of revenue. The allocation methodology is based on a reasonable measure of utilization considering the specific facts and circumstances of the cost being allocated.

Certain costs are not allocated when evaluating segment performance. These unallocated costs consist primarily of manufacturing employees stock-based compensation, annual incentive plans and matching contributions under the Company's 401(k) Plan.

The cost of goods sold (COGS) acquisition related cost adjustment includes inventory fair value amortization of the fair value increase to inventory recognized at the date of acquisition, and acquisition costs resulting from the purchase of certain assets from Infineon's RF Power (RF Power) business in our fiscal third quarter, impacting cost of revenue for fiscal 2018. These costs were not allocated to the reportable segments' gross profit for fiscal 2018 because they represent an adjustment which does not provide comparability to the corresponding prior period and therefore were not reviewed by our CODM when evaluating segment performance and allocating resources.