

CREE, INC.
FINANCIAL RESULTS BY OPERATING SEGMENT
(in thousands, except percentages)
(unaudited)

The following table reflects the results of the company's reportable segments as reviewed by the company's Chief Executive Officer, its Chief Operating Decision Maker or CODM, for the three months and nine months ended March 29, 2015 and the three months and nine months ended March 30, 2014. 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 company's consolidated revenue.

	<u>Three Months Ended</u>		<u>Change</u>	
	<u>March 29, 2015</u>	<u>March 30, 2014</u>		
LED Products revenue	\$ 154,384	\$ 201,119	\$ (46,735)	(23)%
<i>Percent of revenue</i>	38%	49%		
Lighting Products revenue	224,109	176,691	47,418	27 %
<i>Percent of revenue</i>	55%	44%		
Power and RF Products revenue	31,026	27,449	3,577	13 %
<i>Percent of revenue</i>	7%	7%		
Total revenue	<u>\$ 409,519</u>	<u>\$ 405,259</u>	<u>\$ 4,260</u>	1 %

	<u>Nine Months Ended</u>		<u>Change</u>	
	<u>March 29, 2015</u>	<u>March 30, 2014</u>		
LED Products revenue	\$ 479,851	\$ 634,164	\$ (154,313)	(24)%
<i>Percent of revenue</i>	38%	52%		
Lighting Products revenue	677,363	498,265	179,098	36 %
<i>Percent of revenue</i>	54%	41%		
Power and RF Products revenue	93,134	78,922	14,212	18 %
<i>Percent of revenue</i>	8%	7%		
Total revenue	<u>\$ 1,250,348</u>	<u>\$ 1,211,351</u>	<u>\$ 38,997</u>	3 %

	<u>Three Months Ended</u>		<u>Change</u>	
	<u>March 29, 2015</u>	<u>March 30, 2014</u>		
LED Products gross profit	\$ 55,358	\$ 91,634	\$ (36,276)	(40)%
<i>LED Products gross margin</i>	35.9%	45.6%		
Lighting Products gross profit	58,315	48,487	9,828	20 %
<i>Lighting Products gross margin</i>	26.0%	27.4%		
Power and RF Products gross profit	16,484	15,675	809	5 %
<i>Power and RF Products gross margin</i>	53.1%	57.1%		
Unallocated costs	(4,749)	(5,802)	1,053	(18)%
Consolidated gross profit	<u>\$ 125,408</u>	<u>\$ 149,994</u>	<u>\$ (24,586)</u>	(16)%
<i>Consolidated gross margin</i>	30.6%	37.0%		

	<u>Nine Months Ended</u>		<u>Change</u>	
	<u>March 29, 2015</u>	<u>March 30, 2014</u>		
LED Products gross profit	\$ 182,406	\$ 290,931	\$ (108,525)	(37)%
<i>LED Products gross margin</i>	38.0%	45.9%		
Lighting Products gross profit	178,608	136,731	41,877	31 %
<i>Lighting Products gross margin</i>	26.4%	27.4%		
Power and RF Products gross profit	51,601	44,452	7,149	16 %
<i>Power and RF Products gross margin</i>	55.4%	56.3%		
Unallocated costs	(14,608)	(15,585)	977	(6)%
Consolidated gross profit	<u>\$ 398,007</u>	<u>\$ 456,529</u>	<u>\$ (58,522)</u>	(13)%
<i>Consolidated gross margin</i>	31.8%	37.7%		

Reportable Segments Description

The company's LED Products segment includes LED components, LED chips, and silicon carbide materials. The company's Lighting Products segment primarily consists of LED lighting systems and bulbs. The company's Power and RF Products segment includes power devices and RF devices.

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 income must be included to reconcile the consolidated gross profit presented in the preceding table to the company's consolidated income 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, expenses for profit sharing and quarterly or annual incentive plans and matching contributions under the company's 401(k) Plan.