

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 (CODM), for the three months and year ended June 24, 2018 and the three months and year ended June 25, 2017. 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.

	Three Months Ended		Change	
	June 24, 2018	June 25, 2017		
Wolfspeed revenue	\$110,010	\$60,831	\$49,179	81 %
<i>Wolfspeed percent of revenue</i>	26.9%	16.9%		
LED Products revenue	155,784	143,445	12,339	9 %
<i>LED Products percent of revenue</i>	38.0%	40.0%		
Lighting Products revenue	143,660	154,663	(11,003)	(7)%
<i>Lighting Products percent of revenue</i>	35.1%	43.1%		
Total revenue	\$409,454	\$358,939	\$50,515	14 %

	Year Ended		Change	
	June 24, 2018	June 25, 2017		
Wolfspeed revenue	\$328,638	\$221,231	\$107,407	49 %
<i>Wolfspeed percent of revenue</i>	22.0%	15.0%		
LED Products revenue	596,284	550,302	45,982	8 %
<i>LED Products percent of revenue</i>	39.9%	37.4%		
Lighting Products revenue	568,758	701,467	(132,709)	(19)%
<i>Lighting Products percent of revenue</i>	38.1%	47.6%		
Total revenue	\$1,493,680	\$1,473,000	\$20,680	1 %

	Three Months Ended		Change	
	June 24, 2018	June 25, 2017		
Wolfspeed gross profit	\$52,640	\$27,698	\$24,942	90 %
<i>Wolfspeed gross margin</i>	47.9%	45.5%		
LED Products gross profit	42,734	37,206	5,528	15 %
<i>LED Products gross margin</i>	27.4%	25.9%		
Lighting Products gross profit	29,116	36,803	(7,687)	(21)%
<i>Lighting Products gross margin</i>	20.3%	23.8%		
Unallocated costs	(3,540)	(3,706)	166	4 %
COGS acquisition related costs	(5,299)	—	(5,299)	(100)%
Consolidated gross profit	\$115,651	\$98,001	\$17,650	18 %
<i>Consolidated gross margin</i>	28.2%	27.3%		

	Year Ended		Change	
	June 24, 2018	June 25, 2017		
Wolfspeed gross profit	\$158,455	\$103,465	\$54,990	53 %
<i>Wolfspeed gross margin</i>	48.2%	46.8%		
LED Products gross profit	157,914	151,675	6,239	4 %
<i>LED Products gross margin</i>	26.5%	27.6%		
Lighting Products gross profit	108,919	196,218	(87,299)	(44)%
<i>Lighting Products gross margin</i>	19.2%	28.0%		
Unallocated costs	(12,221)	(16,786)	4,565	27 %
COGS acquisition related costs	(5,425)	—	(5,425)	(100)%
Consolidated gross profit	<u>\$407,642</u>	<u>\$434,572</u>	<u>(\$26,930)</u>	<u>(6)%</u>
<i>Consolidated gross margin</i>	27.3%	29.5%		

Reportable Segments Description

The Company's Wolfspeed segment's 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 segment's products consists of LED chips and LED components. The Company's Lighting Products segment's products consist of LED lighting systems and lamps.

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, expenses for profit sharing and quarterly or 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.