

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

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 and nine months ended March 26, 2017 and the three and nine months ended March 27, 2016. 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.

	<b>Three Months Ended</b>		<b>Change</b>	
	<b>March 26, 2017</b>	<b>March 27, 2016</b>		
Lighting Products revenue	\$154,045	\$187,714	(\$33,669)	(18)%
<i>Percent of revenue</i>	45%	51%		
LED Products revenue	131,327	135,552	(4,225)	(3)%
<i>Percent of revenue</i>	39%	37%		
Wolfsped revenue	56,133	43,653	12,480	29 %
<i>Percent of revenue</i>	16%	12%		
Total revenue	<u>\$341,505</u>	<u>\$366,919</u>	<u>(\$25,414)</u>	<u>(7)%</u>

	<b>Nine Months Ended</b>		<b>Change</b>	
	<b>March 26, 2017</b>	<b>March 27, 2016</b>		
Lighting Products revenue	\$546,805	\$690,715	(\$143,910)	(21)%
<i>Percent of revenue</i>	49%	56%		
LED Products revenue	406,858	407,873	(1,015)	— %
<i>Percent of revenue</i>	37%	33%		
Wolfsped revenue	160,401	129,626	30,775	24 %
<i>Percent of revenue</i>	14%	11%		
Total revenue	<u>\$1,114,064</u>	<u>\$1,228,214</u>	<u>(\$114,150)</u>	<u>(9)%</u>

	<b>Three Months Ended</b>		<b>Change</b>	
	<b>March 26, 2017</b>	<b>March 27, 2016</b>		
Lighting Products gross profit	\$35,355	\$48,808	(\$13,453)	(28)%
<i>Lighting Products gross margin</i>	23.0%	26.0%		
LED Products gross profit	32,385	42,829	(10,444)	(24)%
<i>LED Products gross margin</i>	24.7%	31.6%		
Wolfsped gross profit	26,396	22,750	3,646	16 %
<i>Wolfsped gross margin</i>	47.0%	52.1%		
Unallocated costs	(3,459)	(5,354)	1,895	(35)%
Depreciation and amortization adjustment	(4,601)	—	(4,601)	N/A
Consolidated gross profit	<u>\$86,076</u>	<u>\$109,033</u>	<u>(\$22,957)</u>	<u>(21)%</u>
<i>Consolidated gross margin</i>	25.2%	29.7%		

	<b>Nine Months Ended</b>		<b>Change</b>	
	<b>March 26, 2017</b>	<b>March 27, 2016</b>		
Lighting Products gross profit	\$159,415	\$190,531	(\$31,116)	(16)%
<i>Lighting Products gross margin</i>	29.2%	27.6%		
LED Products gross profit	115,499	127,645	(12,146)	(10)%
<i>LED Products gross margin</i>	28.4%	31.3%		
Wolfspeed gross profit	74,737	70,990	3,747	5 %
<i>Wolfspeed gross margin</i>	46.6%	54.8%		
Unallocated costs	(13,077)	(15,115)	2,038	(13)%
Consolidated gross profit	\$336,574	\$374,051	(\$37,477)	(10)%
<i>Consolidated gross margin</i>	30.2%	30.5%		

### Reportable Segments Description

The Company's Lighting Products segment primarily consists of LED lighting systems and bulbs. The Company's LED Products segment includes LED chips and LED components. The Company's Wolfspeed segment includes power devices, RF devices, and SiC materials.

### 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 (loss) 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. In addition, as a result of the termination of the Wolfspeed sale transaction the Company recognized the depreciation and amortization "catch-up" that would have been recognized had the Wolfspeed assets been continuously held and used. This catch-up depreciation and amortization adjustment was also not allocated when evaluating segment performance for the three months ended March 26, 2017.