

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 six months ended December 24, 2017 and the three and six months ended December 25, 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.

| | Three Months Ended | | Change | |
|---------------------------|------------------------------|------------------------------|-------------------|-------------|
| | December 24, 2017 | December 25, 2016 | | |
| Lighting Products revenue | \$144,616 | \$208,924 | (\$64,308) | (31)% |
| <i>Percent of revenue</i> | 39% | 52% | | |
| LED Products revenue | 152,682 | 138,038 | 14,644 | 11 % |
| <i>Percent of revenue</i> | 42% | 34% | | |
| Wolfspeed revenue | 70,572 | 54,364 | 16,208 | 30 % |
| <i>Percent of revenue</i> | 19% | 14% | | |
| Total revenue | <u>\$367,870</u> | <u>\$401,326</u> | <u>(\$33,456)</u> | <u>(8)%</u> |

| | Six Months Ended | | Change | |
|---------------------------|------------------------------|------------------------------|-------------------|-------------|
| | December 24, 2017 | December 25, 2016 | | |
| Lighting Products revenue | \$294,340 | \$392,760 | (\$98,420) | (25)% |
| <i>Percent of revenue</i> | 40% | 51% | | |
| LED Products revenue | 297,202 | 275,531 | 21,671 | 8 % |
| <i>Percent of revenue</i> | 41% | 36% | | |
| Wolfspeed revenue | 136,726 | 104,268 | 32,458 | 31 % |
| <i>Percent of revenue</i> | 19% | 13% | | |
| Total revenue | <u>\$728,268</u> | <u>\$772,559</u> | <u>(\$44,291)</u> | <u>(6)%</u> |

| | Three Months Ended | | Change | |
|--|------------------------------|------------------------------|-------------------|--------------|
| | December 24, 2017 | December 25, 2016 | | |
| Lighting Products gross profit | \$22,964 | \$74,770 | (\$51,806) | (69)% |
| <i>Lighting Products gross margin</i> | 15.9% | 35.8% | | |
| LED Products gross profit | 38,606 | 40,314 | (1,708) | (4)% |
| <i>LED Products gross margin</i> | 25.3% | 29.2% | | |
| Wolfspeed gross profit | 34,133 | 25,911 | 8,222 | 32 % |
| <i>Wolfspeed gross margin</i> | 48.4% | 47.7% | | |
| Unallocated costs | (3,100) | (4,859) | 1,759 | (36)% |
| Depreciation and amortization adjustment | — | 4,431 | (4,431) | (100)% |
| Consolidated gross profit | <u>\$92,603</u> | <u>\$140,567</u> | <u>(\$47,964)</u> | <u>(34)%</u> |
| <i>Consolidated gross margin</i> | 25.2% | 35.0% | | |

| | Six Months Ended | | Change | |
|--|------------------------------|------------------------------|-------------------|--------------|
| | December 24, 2017 | December 25, 2016 | | |
| Lighting Products gross profit | \$54,847 | \$124,060 | (\$69,213) | (56)% |
| <i>Lighting Products gross margin</i> | 18.6% | 31.6% | | |
| LED Products gross profit | 77,416 | 82,084 | (4,668) | (6)% |
| <i>LED Products gross margin</i> | 26.0% | 29.8% | | |
| Wolfspeed gross profit | 66,531 | 49,371 | 17,160 | 35 % |
| <i>Wolfspeed gross margin</i> | 48.7% | 47.4% | | |
| Unallocated costs | (5,859) | (9,618) | 3,759 | (39)% |
| Depreciation and amortization adjustment | — | 4,601 | (4,601) | (100)% |
| Consolidated gross profit | <u>\$192,935</u> | <u>\$250,498</u> | <u>(\$57,563)</u> | <u>(23)%</u> |
| <i>Consolidated gross margin</i> | 26.5% | 32.4% | | |

For the three and six months ended December 25, 2016, the Wolfspeed segment was presented as discontinued operations. The depreciation and amortization adjustment in the table above represents the depreciation and amortization that would have been recognized had the Wolfspeed assets been continuously classified as held and used. These costs were allocated to the reportable segment's gross profit for the three and six months ended December 25, 2016 because they represent an adjustment which provides comparability to the current period.

Reportable Segments Description

The Company's Lighting Products segment primarily consists of LED lighting systems and lamps. 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 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 costs 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.