

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 year ended June 30, 2013 and the three months and year ended June 24, 2012. The Company does not review inter-segment revenue 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			
	June 30, 2013	June 24, 2012	Change	
LED Products revenue	\$ 217,413	\$ 185,040	\$ 32,373	17%
<i>LED Products percent of revenue</i>	58%	60%		
Lighting Products revenue	133,643	100,768	32,875	33%
<i>Lighting Products percent of revenue</i>	36%	33%		
Power and RF Products revenue	23,953	20,951	3,002	14%
<i>Power and RF Products percent of revenue</i>	6%	7%		
Total revenue	<u>\$ 375,009</u>	<u>\$ 306,759</u>	<u>\$ 68,250</u>	22%

	Year Ended			
	June 30, 2013	June 24, 2012	Change	
LED Products revenue	\$ 801,483	\$ 756,924	\$ 44,559	6%
<i>LED Products percent of revenue</i>	58%	65%		
Lighting Products revenue	495,089	334,704	160,385	48%
<i>Lighting Products percent of revenue</i>	36%	29%		
Power and RF Products revenue	89,410	73,030	16,380	22%
<i>Power and RF Products percent of revenue</i>	6%	6%		
Total revenue	<u>\$ 1,385,982</u>	<u>\$ 1,164,658</u>	<u>\$ 221,324</u>	19%

	Three Months Ended			
	June 30, 2013	June 24, 2012	Change	
LED Products gross profit	\$ 99,268	\$ 72,323	\$ 26,945	37%
<i>LED Products gross margin</i>	45.7%	39.1%		
Lighting Products gross profit	33,498	30,879	2,619	8%
<i>Lighting Products gross margin</i>	25.1%	30.6%		
Power and RF Products gross profit	12,874	10,081	2,793	28%
<i>Power and RF Products gross margin</i>	53.7%	48.1%		
Unallocated costs	(4,915)	(6,380)	1,465	(23)%
Consolidated gross profit	<u>\$ 140,725</u>	<u>\$ 106,903</u>	<u>\$ 33,822</u>	32%
<i>Consolidated gross margin</i>	37.5%	34.8%		

	Year Ended			
	June 30, 2013	June 24, 2012	Change	
LED Products gross profit	\$ 344,649	\$ 290,642	\$ 54,007	19%
<i>LED Products gross margin</i>	43.0%	38.4%		
Lighting Products gross profit	148,947	103,396	45,551	44%
<i>Lighting Products gross margin</i>	30.1%	30.9%		
Power and RF Products gross profit	48,127	32,051	16,076	50%
<i>Power and RF Products gross margin</i>	53.8%	43.9%		
Unallocated costs	(18,463)	(16,627)	(1,836)	11%
Consolidated gross profit	<u>\$ 523,260</u>	<u>\$ 409,462</u>	<u>\$ 113,798</u>	28%
<i>Consolidated gross margin</i>	37.8%	35.2%		

Reportable Segments Description

The Company's LED Products segment includes LED components, LED chips, and SiC materials. The Company's Lighting Products segment consists of both LED and traditional lighting systems, with its primary focus on LED lighting. 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 expenses related to manufacturing employees, such as stock-based compensation, expenses for profit sharing and quarterly or annual incentive plans, matching contributions under the Company's 401(k) Plan and acquisition related costs.