

**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 and six months ended December 30, 2012 and the three and six months ended December 25, 2011. 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.

	<b>Three Months Ended</b>			
	<b>December 30, 2012</b>	<b>December 25, 2011</b>	<b>Change</b>	
LED Products	\$ 200,962	\$ 194,162	\$ 6,800	4%
<i>Percent of revenue</i>	58%	64%		
Lighting Products	122,714	95,736	26,978	28%
<i>Percent of revenue</i>	35%	31%		
Power and RF Products	22,610	14,220	8,390	59%
<i>Percent of revenue</i>	7%	5%		
Total revenue	<u>\$ 346,286</u>	<u>\$ 304,118</u>	<u>\$ 42,168</u>	<u>14%</u>

	<b>Six Months Ended</b>			
	<b>December 30, 2012</b>	<b>December 25, 2011</b>	<b>Change</b>	
LED Products	\$ 388,509	\$ 390,940	\$ (2,431)	(1)%
<i>Percent of revenue</i>	59%	68%		
Lighting Products	230,787	147,409	83,378	57%
<i>Percent of revenue</i>	35%	26%		
Power and RF Products	42,743	34,749	7,994	23%
<i>Percent of revenue</i>	6%	6%		
Total revenue	<u>\$ 662,039</u>	<u>\$ 573,098</u>	<u>\$ 88,941</u>	<u>16%</u>

	<b>Three Months Ended</b>			
	<b>December 30, 2012</b>	<b>December 25, 2011</b>	<b>Change</b>	
LED Products gross profit	\$ 84,186	\$ 70,302	\$ 13,884	20%
<i>LED Products gross margin</i>	41.9%	36.2%		
Lighting Products gross profit	41,383	31,927	9,456	30%
<i>Lighting Products gross margin</i>	33.7%	33.3%		
Power and RF Products gross profit	12,798	5,274	7,524	143%
<i>Power and RF Products gross margin</i>	56.6%	37.1%		
Unallocated costs	(4,891)	(2,385)	(2,506)	105%
Consolidated gross profit	<u>\$ 133,476</u>	<u>\$ 105,118</u>	<u>\$ 28,358</u>	<u>27%</u>
<i>Consolidated gross margin</i>	38.5%	34.6%		

	<b>Six Months Ended</b>			
	<b>December 30, 2012</b>	<b>December 25, 2011</b>	<b>Change</b>	
LED Products gross profit	\$ 159,653	\$ 148,062	\$ 11,591	8%
<i>LED Products gross margin</i>	41.1%	37.9%		
Lighting Products gross profit	75,483	47,877	27,606	58%
<i>Lighting Products gross margin</i>	32.7%	32.5%		
Power and RF Products gross profit	23,220	14,016	9,204	66%
<i>Power and RF Products gross margin</i>	54.3%	40.3%		
Unallocated costs	(8,831)	(6,809)	(2,022)	30%
Consolidated gross profit	<u>\$ 249,525</u>	<u>\$ 203,146</u>	<u>\$ 46,379</u>	<u>23%</u>
<i>Consolidated gross margin</i>	37.7%	35.4%		

### Reportable Segments Description

The Company's LED Products segment includes LED chips, LED components, and SiC wafers. 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 on the income statement 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 sales. 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 include variable compensation costs for manufacturing employees consisting primarily of 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.