

**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 nine months ended March 30, 2014 and the three and nine months ended March 31, 2013. 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>Change</b>	
	<b>March 30, 2014</b>	<b>March 31, 2013</b>		
LED Products	\$ 201,119	\$ 195,561	\$ 5,558	3%
<i>Percent of revenue</i>	49%	56%		
Lighting Products	176,691	130,659	46,032	35%
<i>Percent of revenue</i>	44%	37%		
Power and RF Products	27,449	22,714	4,735	21%
<i>Percent of revenue</i>	7%	7%		
<b>Total revenue</b>	<b>\$ 405,259</b>	<b>\$ 348,934</b>	<b>\$ 56,325</b>	<b>16%</b>

	<b>Nine Months Ended</b>		<b>Change</b>	
	<b>March 30, 2014</b>	<b>March 31, 2013</b>		
LED Products	\$ 634,164	\$ 584,070	\$ 50,094	9%
<i>Percent of revenue</i>	52%	58%		
Lighting Products	498,265	361,446	136,819	38%
<i>Percent of revenue</i>	41%	36%		
Power and RF Products	78,922	65,457	13,465	21%
<i>Percent of revenue</i>	7%	6%		
<b>Total revenue</b>	<b>\$ 1,211,351</b>	<b>\$ 1,010,973</b>	<b>\$ 200,378</b>	<b>20%</b>

	<b>Three Months Ended</b>		<b>Change</b>	
	<b>March 30, 2014</b>	<b>March 31, 2013</b>		
LED Products gross profit	\$ 91,634	\$ 85,728	\$ 5,906	7%
<i>LED Products gross margin</i>	45.6%	43.8%		
Lighting Products gross profit	48,487	39,966	8,521	21%
<i>Lighting Products gross margin</i>	27.4%	30.6%		
Power and RF Products gross profit	15,675	12,033	3,642	30%
<i>Power and RF Products gross margin</i>	57.1%	53.0%		
Unallocated costs	(5,802)	(4,717)	(1,085)	23%
<b>Consolidated gross profit</b>	<b>\$ 149,994</b>	<b>\$ 133,010</b>	<b>\$ 16,984</b>	<b>13%</b>
<i>Consolidated gross margin</i>	37.0%	38.1%		

	<b>Nine Months Ended</b>			<b>Change</b>
	<b>March 30, 2014</b>	<b>March 31, 2013</b>		
LED Products gross profit	\$ 290,931	\$ 245,381	\$ 45,550	19%
<i>LED Products gross margin</i>	45.9%	42.0%		
Lighting Products gross profit	136,731	115,449	21,282	18%
<i>Lighting Products gross margin</i>	27.4%	31.9%		
Power and RF Products gross profit	44,452	35,253	9,199	26%
<i>Power and RF Products gross margin</i>	56.3%	53.9%		
Unallocated costs	(15,585)	(13,548)	(2,037)	15%
Consolidated gross profit	<u>\$ 456,529</u>	<u>\$ 382,535</u>	<u>\$ 73,994</u>	19%
<i>Consolidated gross margin</i>	37.7%	37.8%		

### **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 manufacturing employees' 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.