

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 29, 2014 and the three months and year ended June 30, 2013. 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			
	June 29, 2014	June 30, 2013	Change	
LED Products revenue	\$ 199,520	\$ 217,413	\$ (17,893)	(8)%
<i>LED Products percent of revenue</i>	46%	58%		
Lighting Products revenue	208,160	133,643	74,517	56%
<i>Lighting Products percent of revenue</i>	48%	36%		
Power and RF Products revenue	28,610	23,953	4,657	19%
<i>Power and RF Products percent of revenue</i>	6%	6%		
Total revenue	<u>\$ 436,290</u>	<u>\$ 375,009</u>	<u>\$ 61,281</u>	<u>16%</u>

	Year Ended			
	June 29, 2014	June 30, 2013	Change	
LED Products revenue	\$ 833,684	\$ 801,483	\$ 32,201	4%
<i>LED Products percent of revenue</i>	51%	58%		
Lighting Products revenue	706,425	495,089	211,336	43%
<i>Lighting Products percent of revenue</i>	43%	36%		
Power and RF Products revenue	107,532	89,410	18,122	20%
<i>Power and RF Products percent of revenue</i>	6%	6%		
Total revenue	<u>\$ 1,647,641</u>	<u>\$ 1,385,982</u>	<u>\$ 261,659</u>	<u>19%</u>

	Three Months Ended			
	June 29, 2014	June 30, 2013	Change	
LED Products gross profit	\$ 90,072	\$ 99,268	\$ (9,196)	(9)%
<i>LED Products gross margin</i>	45.1%	45.7%		
Lighting Products gross profit	60,573	33,498	27,075	81%
<i>Lighting Products gross margin</i>	29.1%	25.1%		
Power and RF Products gross profit	16,271	12,874	3,397	26%
<i>Power and RF Products gross margin</i>	56.9%	53.7%		
Unallocated costs	(4,650)	(4,915)	265	(5)%
Consolidated gross profit	<u>\$ 162,266</u>	<u>\$ 140,725</u>	<u>\$ 21,541</u>	<u>15%</u>
<i>Consolidated gross margin</i>	37.2%	37.5%		

	Year Ended			
	June 29, 2014	June 30, 2013	Change	
LED Products gross profit	\$ 381,003	\$ 344,649	\$ 36,354	11 %
<i>LED Products gross margin</i>	45.7 %	43.0 %		
Lighting Products gross profit	197,304	148,947	48,357	32 %
<i>Lighting Products gross margin</i>	27.9 %	30.1 %		
Power and RF Products gross profit	60,723	48,127	12,596	26 %
<i>Power and RF Products gross margin</i>	56.5 %	53.8 %		
Unallocated costs	(20,235)	(18,463)	(1,772)	10 %
Consolidated gross profit	<u>\$ 618,795</u>	<u>\$ 523,260</u>	<u>\$ 95,535</u>	18 %
<i>Consolidated gross margin</i>	37.6 %	37.8 %		

Reportable Segments Description

The Company's LED Products segment includes LED components, LED chips, and silicon carbide materials. The Company's Lighting Products segment primarily consists of LED lighting systems and bulbs. 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.