

**CREE, INC.**  
**Reconciliation of GAAP to Non-GAAP Measures**  
(in thousands, except per share amounts and percentages)  
(Unaudited)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>March 27, 2011</u>	<u>March 28, 2010</u>	<u>March 27, 2011</u>	<u>March 28, 2010</u>
GAAP gross profit	\$ 91,395	\$ 112,206	\$ 343,070	\$ 280,054
GAAP gross margin percentage	41.7%	47.9%	46.1%	46.5%
Adjustment:				
Stock-based compensation expense	<u>1,440</u>	<u>471</u>	<u>3,924</u>	<u>2,025</u>
Non-GAAP gross profit	\$ 92,835	\$ 112,677	\$ 346,994	\$ 282,079
Non-GAAP gross margin percentage	42.4%	48.1%	46.6%	46.8%
	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>March 27, 2011</u>	<u>March 28, 2010</u>	<u>March 27, 2011</u>	<u>March 28, 2010</u>
GAAP operating income	\$ 19,678	\$ 56,555	\$ 148,507	\$ 129,257
GAAP operating income percentage	9.0%	24.2%	19.9%	21.4%
Adjustments:				
Stock-based compensation expense	10,311	5,753	28,293	17,434
Amortization of acquisition-related intangible assets	<u>2,693</u>	<u>3,045</u>	<u>8,105</u>	<u>9,135</u>
Total adjustments to GAAP operating income	<u>13,004</u>	<u>8,798</u>	<u>36,398</u>	<u>26,569</u>
Non-GAAP operating income	32,682	65,353	184,905	155,826
Non-GAAP operating income percentage	14.9%	27.9%	24.8%	25.9%
	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>March 27, 2011</u>	<u>March 28, 2010</u>	<u>March 27, 2011</u>	<u>March 28, 2010</u>
GAAP net income	\$ 18,881	\$ 44,630	\$ 126,692	\$ 99,442
Adjustments:				
Stock-based compensation expense	10,311	5,753	28,293	17,434
Amortization of acquisition-related intangible assets	<u>2,693</u>	<u>3,045</u>	<u>8,105</u>	<u>9,135</u>
Total adjustments to GAAP income before provision for income taxes	<u>13,004</u>	<u>8,798</u>	<u>36,398</u>	<u>26,569</u>
Income tax effect	<u>(1,821)</u>	<u>(2,111)</u>	<u>(6,642)</u>	<u>(7,016)</u>
Non-GAAP net income	30,064	51,317	156,448	118,995
Earnings per share:				
GAAP diluted net income per share	<u>\$ 0.17</u>	<u>\$ 0.41</u>	<u>\$ 1.15</u>	<u>\$ 0.97</u>
Non-GAAP diluted net income per share	<u>\$ 0.27</u>	<u>\$ 0.47</u>	<u>\$ 1.42</u>	<u>\$ 1.16</u>
Shares used in diluted net income per share calculation:				
GAAP shares used	<u>110,323</u>	<u>108,601</u>	<u>110,007</u>	<u>102,907</u>
Non-GAAP shares used	<u>110,323</u>	<u>108,601</u>	<u>110,007</u>	<u>102,907</u>
	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>March 27, 2011</u>	<u>March 28, 2010</u>	<u>March 27, 2011</u>	<u>March 28, 2010</u>
Free Cash Flow				
Cash flow from operations	\$ 41,167	\$ 72,932	\$ 186,922	\$ 155,631
Less: PP&E CapEx spending	<u>62,846</u>	<u>66,012</u>	<u>189,233</u>	<u>127,838</u>
Total Free Cash Flow	<u>\$ (21,679)</u>	<u>\$ 6,920</u>	<u>\$ (2,311)</u>	<u>\$ 27,793</u>

**CREE, INC.**  
**Additional Financial Information**  
(in thousands)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>March 27, 2011</u>	<u>March 28, 2010</u>	<u>March 27, 2011</u>	<u>March 28, 2010</u>
	(Unaudited)		(Unaudited)	
<b>Stock-Based Compensation Expense</b>				
Cost of sales	\$ 1,440	\$ 471	\$ 3,924	\$ 2,025
Research and development	2,259	937	6,256	3,589
Sales, general and administrative	6,612	4,345	18,113	11,820
<b>Total stock-based compensation in operating expense</b>	<u>8,871</u>	<u>5,282</u>	<u>24,369</u>	<u>15,409</u>
<b>Total Stock-Based Compensation Expense</b>	<u>\$ 10,311</u>	<u>\$ 5,753</u>	<u>\$ 28,293</u>	<u>\$ 17,434</u>
	<u>March 27, 2011</u>	<u>June 27, 2010</u>		
	(Unaudited)			
<b>Cash, Cash Equivalents and Investments</b>				
Cash and cash equivalents	\$ 410,413	\$ 397,431		
Short term investments	662,679	668,974		
<b>Total Cash, Cash Equivalents and Investments</b>	<u>\$ 1,073,092</u>	<u>\$ 1,066,405</u>		