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 29, 2013 and the three and six months ended December 30, 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			
	December 29, 2013	December 30, 2012	Change	
LED Products	$ 215,022	$ 200,962	$ 14,060	7%
Percent of revenue	52%	58%		
Lighting Products	173,656	122,714	50,942	42%
Percent of revenue	42%	35%		
Power and RF Products	26,408	22,610	3,798	17%
Percent of revenue	6%	7%		
Total revenue	$ 415,086	$ 346,286	$ 68,800	20%

	Six Months Ended			
	December 29, 2013	December 30, 2012	Change	
LED Products	$ 433,045	$ 388,509	$ 44,536	11%
Percent of revenue	54%	59%		
Lighting Products	321,574	230,787	90,787	39%
Percent of revenue	40%	35%		
Power and RF Products	51,473	42,743	8,730	20%
Percent of revenue	6%	6%		
Total revenue	$ 806,092	$ 662,039	$ 144,053	22%

	Three Months Ended			
	December 29, 2013	December 30, 2012	Change	
LED Products gross profit	$ 97,644	$ 84,186	$ 13,458	16%
LED Products gross margin	45.4%	41.9%		
Lighting Products gross profit	48,426	41,383	7,043	17%
Lighting Products gross margin	27.9%	33.7%		
Power and RF Products gross profit	15,321	12,798	2,523	20%
Power and RF Products gross margin	58.0%	56.6%		
Unallocated costs	(5,613)	(4,891)	(722)	15%
Consolidated gross profit	$ 155,778	$ 133,476	$ 22,302	17%
Consolidated gross margin	37.5%	38.5%		

	Six Months Ended			
	December 29, 2013	December 30, 2012	Change	
LED Products gross profit	$ 199,297	$ 159,653	$ 39,644	25%
LED Products gross margin	46.0%	41.1%		
Lighting Products gross profit	88,244	75,483	12,761	17%
Lighting Products gross margin	27.4%	32.7%		
Power and RF Products gross profit	28,777	23,220	5,557	24%
Power and RF Products gross margin	55.9%	54.3%		
Unallocated costs	(9,783)	(8,831)	(952)	11%
Consolidated gross profit	$ 306,535	$ 249,525	$ 57,010	23%
Consolidated gross margin	38.0%	37.7%		

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.