

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 25, 2017 and the three months and year ended June 26, 2016. 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 25, 2017	June 26, 2016	Change	
Lighting Products revenue	\$154,663	\$198,418	(\$43,755)	(22)%
<i>Lighting Products percent of revenue</i>	43%	51%		
LED Products revenue	143,445	143,283	162	— %
<i>LED Products percent of revenue</i>	40%	37%		
Wolfspeed revenue	60,831	46,712	14,119	30 %
<i>Wolfspeed percent of revenue</i>	17%	12%		
Total revenue	\$358,939	\$388,413	(\$29,474)	(8)%

	Year Ended			
	June 25, 2017	June 26, 2016	Change	
Lighting Products revenue	\$701,467	\$889,133	(\$187,666)	(21)%
<i>Lighting Products percent of revenue</i>	48%	55%		
LED Products revenue	550,302	551,156	(854)	— %
<i>LED Products percent of revenue</i>	37%	34%		
Wolfspeed revenue	221,231	176,338	44,893	25 %
<i>Wolfspeed percent of revenue</i>	15%	11%		
Total revenue	\$1,473,000	\$1,616,627	(\$143,627)	(9)%

	Three Months Ended			
	June 25, 2017	June 26, 2016	Change	
Lighting Products gross profit	\$36,803	\$51,168	(\$14,365)	(28)%
<i>Lighting Products gross margin</i>	23.8%	25.8%		
LED Products gross profit	37,206	46,170	(8,964)	(19)%
<i>LED Products gross margin</i>	25.9%	32.2%		
Wolfspeed gross profit	27,698	23,631	4,067	17 %
<i>Wolfspeed gross margin</i>	45.5%	50.6%		
Contract manufacturer dispute related expenses	—	(2,108)	2,108	
T8 product recall charges	—	(1,349)	1,349	
Unallocated costs	(3,706)	(4,489)	783	17 %
Consolidated gross profit	\$98,001	\$113,023	(\$15,022)	(13)%
<i>Consolidated gross margin</i>	27.3%	29.1%		

	Year Ended		Change	
	June 25, 2017	June 26, 2016		
Lighting Products gross profit	\$196,218	\$241,699	(\$45,481)	(19)%
<i>Lighting Products gross margin</i>	28.0%	27.2%		
LED Products gross profit	151,675	173,814	(22,139)	(13)%
<i>LED Products gross margin</i>	27.6%	31.5%		
Wolfspeed gross profit	103,465	94,622	8,843	9 %
<i>Wolfspeed gross margin</i>	46.8%	53.7%		
Contract manufacturer dispute related expenses	—	(2,108)	2,108	
T8 product recall charges	—	(1,349)	1,349	
Unallocated costs	(16,786)	(19,604)	2,818	14 %
Consolidated gross profit	\$434,572	\$487,074	(\$52,502)	(11)%
<i>Consolidated gross margin</i>	29.5%	30.1%		

Reportable Segments Description

The Company's Lighting Products segment primarily consists of LED lighting systems and lamps. The Company's LED Products segment includes LED chips and LED components. The Company's Wolfspeed segment includes power devices, RF devices and SiC materials.

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 loss 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 and matching contributions under the Company's 401(k) Plan.