

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 28, 2015 and the three months and year ended June 29, 2014. 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.

	<u>Three Months Ended</u>			
	June 28, 2015	June 29, 2014	Change	
Lighting Products revenue	\$ 229,139	\$ 208,160	\$ 20,979	10 %
<i>Lighting Products percent of revenue</i>	60%	48%		
LED Products revenue	122,231	199,520	(77,289)	(39)%
<i>LED Products percent of revenue</i>	32%	46%		
Power and RF Products revenue	30,787	28,610	2,177	8 %
<i>Power and RF Products percent of revenue</i>	8%	6%		
Total revenue	<u>\$ 382,157</u>	<u>\$ 436,290</u>	<u>\$ (54,133)</u>	<u>(12)%</u>

	<u>Year Ended</u>			
	June 28, 2015	June 29, 2014	Change	
Lighting Products revenue	\$ 906,502	\$ 706,425	\$ 200,077	28 %
<i>Lighting Products percent of revenue</i>	55%	43%		
LED Products revenue	602,082	833,684	(231,602)	(28)%
<i>LED Products percent of revenue</i>	37%	51%		
Power and RF Products revenue	123,921	107,532	16,389	15 %
<i>Power and RF Products percent of revenue</i>	8%	6%		
Total revenue	<u>\$ 1,632,505</u>	<u>\$ 1,647,641</u>	<u>\$ (15,136)</u>	<u>(1)%</u>

	<u>Three Months Ended</u>			
	June 28, 2015	June 29, 2014	Change	
Lighting Products gross profit	\$ 56,934	\$ 60,573	\$ (3,639)	(6)%
<i>Lighting Products gross margin</i>	24.8%	29.1%		
LED Products gross profit	8,506	90,072	(81,566)	(91)%
<i>LED Products gross margin</i>	7.0%	45.1%		
Power and RF Products gross profit	16,163	16,271	(108)	(1)%
<i>Power and RF Products gross margin</i>	52.5%	56.9%		
Unallocated costs	(4,654)	(4,650)	(4)	— %
Consolidated gross profit	<u>\$ 76,949</u>	<u>\$ 162,266</u>	<u>\$ (85,317)</u>	<u>(53)%</u>
<i>Consolidated gross margin</i>	20.1%	37.2%		

	Year Ended			
	June 28, 2015	June 29, 2014	Change	
Lighting Products gross profit	\$ 235,542	\$ 197,304	\$ 38,238	19 %
<i>Lighting Products gross margin</i>	26.0%	27.9%		
LED Products gross profit	190,912	381,003	(190,091)	(50)%
<i>LED Products gross margin</i>	31.7%	45.7%		
Power and RF Products gross profit	67,764	60,723	7,041	12 %
<i>Power and RF Products gross margin</i>	54.7%	56.5%		
Unallocated costs	(19,262)	(20,235)	973	(5)%
Consolidated gross profit	<u>\$ 474,956</u>	<u>\$ 618,795</u>	<u>\$ (143,839)</u>	(23)%
<i>Consolidated gross margin</i>	29.1%	37.6%		

Reportable Segments Description

The Company's Lighting Products segment primarily consists of LED lighting systems and bulbs. The Company's LED Products segment includes LED components, LED chips, and silicon carbide materials. 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 and matching contributions under the Company 401(k) Plan.