

CREE, INC.
UNAUDITED FINANCIAL RESULTS BY OPERATING SEGMENT
(in thousands, except percentages)

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 nine months ended March 25, 2018 and the three and nine months ended March 26, 2017. 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		Change	
	March 25, 2018	March 26, 2017		
Wolfspeed revenue	\$81,902	\$56,133	\$25,769	46 %
<i>Percent of revenue</i>	23%	16%		
LED Products revenue	143,298	131,327	11,971	9 %
<i>Percent of revenue</i>	40%	39%		
Lighting Products revenue	130,758	154,045	(23,287)	(15)%
<i>Percent of revenue</i>	37%	45%		
Total revenue	\$355,958	\$341,505	\$14,453	4 %

	Nine Months Ended		Change	
	March 25, 2018	March 26, 2017		
Wolfspeed revenue	\$218,628	\$160,401	\$58,227	36 %
<i>Percent of revenue</i>	20%	14%		
LED Products revenue	440,500	406,858	33,642	8 %
<i>Percent of revenue</i>	41%	37%		
Lighting Products revenue	425,098	546,805	(121,707)	(22)%
<i>Percent of revenue</i>	39%	49%		
Total revenue	\$1,084,226	\$1,114,064	(\$29,838)	(3)%

	Three Months Ended		Change	
	March 25, 2018	March 26, 2017		
Wolfspeed gross profit	\$39,285	\$26,396	\$12,889	49 %
<i>Wolfspeed gross margin</i>	48.0%	47.0%		
LED Products gross profit	37,764	32,385	5,379	17 %
<i>LED Products gross margin</i>	26.4%	24.7%		
Lighting Products gross profit	24,956	35,355	(10,399)	(29)%
<i>Lighting Products gross margin</i>	19.1%	23.0%		
Unallocated costs	(2,949)	(3,459)	510	15 %
Depreciation and amortization adjustment	—	(4,601)	4,601	100 %
Consolidated gross profit	\$99,056	\$86,076	\$12,980	15 %
<i>Consolidated gross margin</i>	27.8%	25.2%		

	Nine Months Ended		Change	
	March 25, 2018	March 26, 2017		
Wolfspeed gross profit	\$105,816	\$74,737	\$31,079	42 %
<i>Wolfspeed gross margin</i>	48.4%	46.6%		
LED Products gross profit	115,180	115,499	(319)	— %
<i>LED Products gross margin</i>	26.1%	28.4%		
Lighting Products gross profit	79,803	159,415	(79,612)	(50)%
<i>Lighting Products gross margin</i>	18.8%	29.2%		
Unallocated costs	(8,808)	(13,077)	4,269	33 %
Depreciation and amortization adjustment	—	—	—	— %
Consolidated gross profit	<u>\$291,991</u>	<u>\$336,574</u>	<u>(\$44,583)</u>	(13)%
<i>Consolidated gross margin</i>	26.9%	30.2%		

For the three and nine months ended March 26, 2017, the Wolfspeed segment was presented as discontinued operations. The depreciation and amortization adjustment in the table above represents the depreciation and amortization that would have been recognized in prior periods had the Wolfspeed assets been continuously classified as held and used from July 16, 2016 through March 26, 2017. These costs were not allocated to the reportable segments' gross profit for the three months ended March 26, 2017 because they represent an adjustment which does not provide comparability to the corresponding prior period and therefore were not reviewed by the CODM when evaluating segment performance and allocating resources. These costs were allocated to the Wolfspeed segment's gross profit for the nine months ended March 26, 2017 because they provide comparability to the corresponding prior period and were reviewed by the CODM when evaluating segment performance and allocating resources.

Reportable Segments Description

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

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 loss 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 costs 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.