

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 nine months ended March 31, 2013 and the three and nine months ended March 25, 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			
	March 31, 2013	March 25, 2012	Change	
LED Products	\$ 195,561	\$ 180,944	\$ 14,617	8%
<i>Percent of revenue</i>	56%	64%		
Lighting Products	130,659	86,527	44,132	51%
<i>Percent of revenue</i>	37%	30%		
Power and RF Products	22,714	17,330	5,384	31%
<i>Percent of revenue</i>	7%	6%		
Total revenue	<u>\$ 348,934</u>	<u>\$ 284,801</u>	<u>\$ 64,133</u>	<u>23%</u>

	Nine Months Ended			
	March 31, 2013	March 25, 2012	Change	
LED Products	\$ 584,070	\$ 571,884	\$ 12,186	2%
<i>Percent of revenue</i>	58%	67%		
Lighting Products	361,446	233,936	127,510	55%
<i>Percent of revenue</i>	36%	27%		
Power and RF Products	65,457	52,079	13,378	26%
<i>Percent of revenue</i>	6%	6%		
Total revenue	<u>\$ 1,010,973</u>	<u>\$ 857,899</u>	<u>\$ 153,074</u>	<u>18%</u>

	Three Months Ended			
	March 31, 2013	March 25, 2012	Change	
LED Products gross profit	\$ 85,728	\$ 70,257	\$ 15,471	22%
<i>LED Products gross margin</i>	43.8%	38.8%		
Lighting Products gross profit	39,966	24,640	15,326	62%
<i>Lighting Products gross margin</i>	30.6%	28.5%		
Power and RF Products gross profit	12,033	7,954	4,079	51%
<i>Power and RF Products gross margin</i>	53.0%	45.9%		
Unallocated costs	(4,717)	(3,438)	(1,279)	37%
Consolidated gross profit	<u>\$ 133,010</u>	<u>\$ 99,413</u>	<u>\$ 33,597</u>	<u>34%</u>
<i>Consolidated gross margin</i>	38.1%	34.9%		

	Nine Months Ended			
	March 31, 2013	March 25, 2012	Change	
LED Products gross profit	\$ 245,381	\$ 218,319	\$ 27,062	12%
<i>LED Products gross margin</i>	42.0%	38.2%		
Lighting Products gross profit	115,449	72,517	42,932	59%
<i>Lighting Products gross margin</i>	31.9%	31.0%		
Power and RF Products gross profit	35,253	21,970	13,283	60%
<i>Power and RF Products gross margin</i>	53.9%	42.2%		
Unallocated costs	(13,548)	(10,247)	(3,301)	32%
Consolidated gross profit	<u>\$ 382,535</u>	<u>\$ 302,559</u>	<u>\$ 79,976</u>	<u>26%</u>
<i>Consolidated gross margin</i>	37.8%	35.3%		

Reportable Segments Description

The Company's LED Products segment includes LED chips, LED components, 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 on the income statement 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 sales. 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 include variable compensation costs for manufacturing employees consisting primarily of 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.