

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 ended September 29, 2013 and the three months ended September 23, 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		Change	
	September 29, 2013	September 23, 2012		
LED Products	\$ 218,023	\$ 187,547	\$ 30,476	16%
<i>Percent of revenue</i>	56%	60%		
Lighting Products	147,918	108,073	39,845	37%
<i>Percent of revenue</i>	38%	34%		
Power and RF Products	25,065	20,133	4,932	24%
<i>Percent of revenue</i>	6%	6%		
Total revenue	<u>\$ 391,006</u>	<u>\$ 315,753</u>	<u>\$ 75,253</u>	24%

	Three Months Ended		Change	
	September 29, 2013	September 23, 2012		
LED Products gross profit	\$ 101,653	\$ 75,467	\$ 26,186	35%
<i>LED Products gross margin</i>	46.6%	40.2%		
Lighting Products gross profit	39,818	34,100	5,718	17%
<i>Lighting Products gross margin</i>	26.9%	31.6%		
Power and RF Products gross profit	13,456	10,422	3,034	29%
<i>Power and RF Products gross margin</i>	53.7%	51.8%		
Unallocated costs	(4,170)	(3,940)	(230)	6%
Consolidated gross profit	<u>\$ 150,757</u>	<u>\$ 116,049</u>	<u>\$ 34,708</u>	30%
<i>Consolidated gross margin</i>	38.6%	36.8%		

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.