

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 months ended September 23, 2018 and the three months ended September 24, 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	
	September 23, 2018	September 24, 2017		
Wolfspeed revenue	\$127,375	\$66,154	\$61,221	93 %
<i>Percent of revenue</i>	31.2%	18.4%		
LED Products revenue	146,802	144,520	2,282	2 %
<i>Percent of revenue</i>	36.0%	40.1%		
Lighting Products revenue	134,090	149,724	(15,634)	(10)%
<i>Percent of revenue</i>	32.8%	41.5%		
Total revenue	<u>\$408,267</u>	<u>\$360,398</u>	<u>\$47,869</u>	<u>13 %</u>

	Three Months Ended		Change	
	September 23, 2018	September 24, 2017		
Wolfspeed gross profit	\$60,415	\$32,398	\$28,017	86 %
<i>Wolfspeed gross margin</i>	47.4%	49.0%		
LED Products gross profit	41,283	38,810	2,473	6 %
<i>LED Products gross margin</i>	28.1%	26.9%		
Lighting Products gross profit	31,058	31,883	(825)	(3)%
<i>Lighting Products gross margin</i>	23.2%	21.3%		
Unallocated costs	(3,376)	(2,759)	(617)	(22)%
COGS acquisition related costs	(1,212)	—	(1,212)	(100)%
Consolidated gross profit	<u>\$128,168</u>	<u>\$100,332</u>	<u>\$27,836</u>	<u>28 %</u>
<i>Consolidated gross margin</i>	31.4%	27.8%		

Reportable Segments Description

The Company's Wolfspeed segment's products consists of silicon carbide (SiC) and gallium nitride (GaN) materials, and power devices and RF devices based on silicon (Si) and wide bandgap semiconductor materials. The Company's LED Products segment's products include LED chips and LED components. The Company's Lighting Products segment's products consist 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, and matching contributions under the Company's 401(k) Plan.

The cost of goods sold (COGS) acquisition related cost adjustment includes RF Power acquisition costs impacting cost of revenue for fiscal 2019. These costs were not allocated to the reportable segments' gross profit for fiscal 2019 because they represent an adjustment which does not provide comparability to the corresponding prior period and therefore were not reviewed by the Company's CODM when evaluating segment performance and allocating resources.