

CREE, INC.
Reconciliation of GAAP to Non-GAAP Measures
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	December 26, 2010	December 27, 2009	December 26, 2010	December 27, 2009
GAAP Gross Profit	\$ 121,146	\$ 94,070	\$ 251,675	\$ 167,848
GAAP Gross Margin	47.1%	47.2%	47.9%	45.5%
Adjustment:				
Stock-based compensation expense	1,351	729	2,483	1,554
Non-GAAP Gross Profit	\$ 122,497	\$ 94,799	\$ 254,158	\$ 169,402
Non-GAAP Gross Margin	47.7%	47.5%	48.4%	46.0%

	Three Months Ended		Six Months Ended	
	December 26, 2010	December 27, 2009	December 26, 2010	December 27, 2009
GAAP operating income	\$ 55,412	\$ 46,030	\$ 128,829	\$ 72,683
GAAP operating income percentage	21.6%	23.1%	24.5%	19.7%
Adjustments:				
Stock-based compensation expense	9,977	6,069	17,981	11,681
Amortization of acquisition-related intangible assets	2,706	3,045	5,412	6,090
Total adjustments to GAAP operating income	12,683	9,114	23,393	17,771
Non-GAAP operating income	68,095	55,144	152,222	90,454
Non-GAAP operating income percentage	26.5%	27.6%	29.0%	24.5%

	Three Months Ended		Six Months Ended	
	December 26, 2010	December 27, 2009	December 26, 2010	December 27, 2009
GAAP net income	\$ 49,775	\$ 33,786	\$ 107,811	\$ 54,812
Adjustments:				
Stock-based compensation expense	9,977	6,069	17,981	11,681
Amortization of acquisition-related intangible assets	2,706	3,045	5,412	6,090
Total adjustments to GAAP income before provision for income taxes	12,683	9,114	23,393	17,771
Income tax effect	(1,738)	(2,698)	(4,421)	(5,022)
Non-GAAP net income	60,720	40,202	126,783	67,561
Diluted net income per share:				
GAAP net income	\$ 0.45	\$ 0.32	\$ 0.98	\$ 0.55
Non-GAAP	\$ 0.55	\$ 0.38	\$ 1.15	\$ 0.68
Shares used in diluted net income per share calculation:				
GAAP net income	109,976	106,607	109,817	99,836
Non-GAAP	109,976	106,607	109,817	99,836

	Three Months Ended		Six Months Ended	
	December 26, 2010	December 27, 2009	December 26, 2010	December 27, 2009
Free Cash Flows				
Cash flow from operations	\$ 57,237	\$ 21,511	\$ 145,755	\$ 82,699
Less: PP&E CapEx spending	64,738	41,437	126,387	61,826
Total Free Cash Flows	\$ (7,501)	\$ (19,926)	\$ 19,368	\$ 20,873

CREE, INC.
Additional Financial Information
(in thousands)
(Unaudited)

	Three Months Ended		Six Months Ended	
	December 26, 2010	December 27, 2009	December 26, 2010	December 27, 2009
Stock-Based Compensation Expense				
Cost of sales	\$ 1,351	\$ 729	\$ 2,483	\$ 1,554
Research and development	2,183	1,388	3,998	2,652
Sales, general and administrative	6,443	3,952	11,500	7,475
Total stock-based compensation in operating expense	8,626	5,340	15,498	10,127
Total Stock-Based Compensation Expense	\$ 9,977	\$ 6,069	\$ 17,981	\$ 11,681
	December 26, 2010	June 27, 2010		
Cash, Cash Equivalents and Investments				
Cash and cash equivalents	\$ 465,557	\$ 397,431		
Short term investments	645,271	668,974		
Total Cash, Cash Equivalents and Investments	\$ 1,110,828	\$ 1,066,405		