

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 28, 2014 and the three months ended September 29, 2013. 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 28, 2014	September 29, 2013		
LED Products revenue	\$ 173,590	\$ 218,023	\$ (44,433)	(20)%
<i>Percent of revenue</i>	41 %	56 %		
Lighting Products revenue	223,086	147,918	75,168	51 %
<i>Percent of revenue</i>	52 %	38 %		
Power and RF Products revenue	30,996	25,065	5,931	24 %
<i>Percent of revenue</i>	7 %	6 %		
Total revenue	\$ 427,672	\$ 391,006	\$ 36,666	9 %

	Three Months Ended		Change	
	September 28, 2014	September 29, 2013		
LED Products gross profit	\$ 67,624	\$ 101,653	\$ (34,029)	(33)%
<i>LED Products gross margin</i>	39.0 %	46.6 %		
Lighting Products gross profit	55,592	39,818	15,774	40 %
<i>Lighting Products gross margin</i>	24.9 %	26.9 %		
Power and RF Products gross profit	17,857	13,456	4,401	33 %
<i>Power and RF Products gross margin</i>	57.6 %	53.7 %		
Unallocated costs	(5,253)	(4,170)	(1,083)	26 %
Consolidated gross profit	\$ 135,820	\$ 150,757	\$ (14,937)	(10)%
<i>Consolidated gross margin</i>	31.8 %	38.6 %		

Reportable Segments Description

The Company's LED Products segment includes LED components, LED chips, and silicon carbide materials. The Company's Lighting Products segment primarily consists of LED lighting systems and bulbs. 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 and matching contributions under the Company's 401(k) Plan.