

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

	Three Months Ended		Year ended	
	June 27, 2010	June 28, 2009	June 27, 2010	June 28, 2009
GAAP Gross Profit	\$ 131,053	\$ 58,696	\$ 411,107	\$ 211,906
GAAP Gross Margin	49.5%	39.6%	47.4%	37.4%
Adjustment:				
Stock-based compensation expense	1,067	1,052	3,091	4,250
Non-GAAP Gross Profit	\$ 132,120	\$ 59,748	\$ 414,198	\$ 216,156
Non-GAAP Gross Margin	49.9%	40.3%	47.8%	38.1%

	Three Months Ended		Year ended	
	June 27, 2010	June 28, 2009	June 27, 2010	June 28, 2009
GAAP operating income	\$ 68,521	\$ 11,462	\$ 197,778	\$ 30,590
GAAP operating income percentage	25.9%	7.7%	22.8%	5.4%
Adjustments:				
Stock-based compensation expense	6,635	5,320	24,067	21,112
Amortization of acquisition-related intangible assets	3,045	4,062	12,180	16,248
Total adjustments to GAAP operating income	9,680	9,382	36,247	37,360
Non-GAAP operating income	78,201	20,844	234,025	67,950
Non-GAAP operating income percentage	29.6%	14.1%	27.0%	12.0%

	Three Months Ended		Year ended	
	June 27, 2010	June 28, 2009	June 27, 2010	June 28, 2009
GAAP net income	\$ 52,848	\$ 9,695	\$ 152,290	\$ 30,325
Adjustments:				
Stock-based compensation expense	6,635	5,320	24,067	21,112
Amortization of acquisition-related intangible assets	3,045	4,062	12,180	16,248
Total adjustments to GAAP income before provision for income taxes	9,680	9,382	36,247	37,360
Income tax effect	(2,408)	(2,741)	(9,382)	(8,493)
Non-GAAP net income	60,120	16,336	179,155	59,192
Diluted net income per share:				
GAAP net income	\$ 0.48	\$ 0.11	\$ 1.45	\$ 0.34
Non-GAAP	\$ 0.55	\$ 0.18	\$ 1.71	\$ 0.66
Shares used in diluted net income per share calculation:				
GAAP net income	109,558	89,983	104,698	89,081
Non-GAAP	109,558	89,983	104,698	89,081

	Three Months Ended		Year ended	
	June 27, 2010	June 28, 2009	June 27, 2010	June 28, 2009
Free Cash Flows				
Cash flow from operations	\$ 94,938	\$ 43,010	\$ 250,569	\$ 177,919
Less: PP&E CapEx spending	40,786	14,689	168,624	55,283
Total Free Cash Flows	\$ 54,152	\$ 28,321	\$ 81,945	\$ 122,636

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

	<u>Three Months Ended</u>		<u>Year ended</u>	
	<u>June 27, 2010</u>	<u>June 28, 2009</u>	<u>June 27, 2010</u>	<u>June 28, 2009</u>
<b>Stock-Based Compensation Expense</b>				
Cost of sales	\$ 1,067	\$ 1,052	\$ 3,091	\$ 4,250
Research and development	1,452	1,172	5,040	5,267
Sales, general and administrative	4,116	3,096	15,936	11,595
Total stock-based compensation in operating expense	<u>5,568</u>	<u>4,268</u>	<u>20,976</u>	<u>16,862</u>
<b>Total Stock-Based Compensation Expense</b>	<u>\$ 6,635</u>	<u>\$ 5,320</u>	<u>\$ 24,067</u>	<u>\$ 21,112</u>
		<u>June 28,</u>		
	<u>June 27, 2010</u>	<u>2009</u>		
<b>Cash, Cash Equivalents and Investments</b>				
Cash and cash equivalents	\$ 397,431	\$ 290,154		
Short term investments	668,974	127,499		
Long term investments	-	29,557		
<b>Total Cash, Cash Equivalents and Investments</b>	<u>\$ 1,066,405</u>	<u>\$ 447,210</u>		