

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

	Three Months Ended		Year Ended	
	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
	GAAP Gross Profit	\$ 58,696	\$ 45,742	\$ 211,906
GAAP Gross Margin	39.6%	33.7%	37.4%	33.6%
Adjustment:				
Stock-based compensation expense	1,052	703	4,250	2,913
Non-GAAP Gross Profit	\$ 59,748	\$ 46,445	\$ 216,156	\$ 168,740
Non-GAAP Gross Margin	40.3%	34.2%	38.1%	34.2%
	Three Months Ended		Year Ended	
	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
	GAAP net income	\$ 9,695	\$ 8,446	\$ 30,325
Adjustments:				
Stock-based compensation expense	5,320	4,672	21,112	15,985
Amortization of acquisition-related intangible assets	4,062	4,806	16,248	17,127
Net gain on sale of certain patents related to the discontinued Cree Microwave segment	-	(1,820)	-	(1,820)
Personal property assessment related to finalizing the audits of the Company's 2002 through 2007 property tax returns	-	-	-	1,048
Gain on sale of 500,000 shares of Color Kinetics Incorporated common stock	-	-	-	(14,117)
Total adjustments to GAAP income before provision for income taxes	9,382	7,658	37,360	18,223
Income tax effect	(2,741)	(1,603)	(8,493)	(4,510)
Non-GAAP net income	16,336	14,501	59,192	47,152
Diluted net income per share:				
GAAP net income	\$ 0.11	\$ 0.09	\$ 0.34	\$ 0.38
Non-GAAP	\$ 0.18	\$ 0.16	\$ 0.66	\$ 0.54
Shares used in diluted net income per share calculation:				
GAAP net income	89,983	89,615	89,081	88,077
Non-GAAP	89,983	89,615	89,081	88,077
	Three Months Ended		Year Ended	
	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
	Free Cash Flows			
Cash flow from operations	\$ 43,010	\$ 36,682	\$ 177,919	\$ 102,807
Less: PP&E CapEx spending	14,689	18,199	55,283	55,741
Total Free Cash Flows	\$ 28,321	\$ 18,483	\$ 122,636	\$ 47,066

Additional Financial Information

(in thousands)
(Unaudited)

	Three Months Ended		Year Ended	
	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
	Stock-Based Compensation Expense			
Cost of sales	\$ 1,052	\$ 703	\$ 4,250	\$ 2,913
Research and development	1,172	1,331	5,267	4,362
Sales, general and administrative	3,096	2,638	11,595	8,710
Total stock-based compensation in operating expense	4,268	3,969	16,862	13,072
Total Stock-Based Compensation Expense	\$ 5,320	\$ 4,672	\$ 21,112	\$ 15,985
	June 28, 2009	March 29, 2009	September 28, 2008	June 29, 2008
	Cash, Cash Equivalents and Investments			
	Cash and cash equivalents	\$ 290,154	\$ 244,667	\$ 177,444
Short-term investments	127,499	122,051	109,054	50,795
Long-term investments	29,557	38,159	52,566	58,604
Total Cash, Cash Equivalents and Investments	\$ 447,210	\$ 404,877	\$ 339,064	\$ 371,032