

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

	Three Months Ended	
	September 26, 2010	September 27, 2009
GAAP Gross Profit	\$ 130,529	\$ 73,778
GAAP Gross Margin	48.6%	43.6%
Adjustment:		
Stock-based compensation expense	1,132	825
Non-GAAP Gross Profit	\$ 131,661	\$ 74,603
Non-GAAP Gross Margin	49.0%	44.1%

	Three Months Ended	
	September 26, 2010	September 27, 2009
GAAP operating income	\$ 73,417	\$ 26,653
GAAP operating income percentage	27.3%	15.8%
Adjustments:		
Stock-based compensation expense	8,004	5,612
Amortization of acquisition-related intangible assets	2,706	3,045
Total adjustments to GAAP operating income	10,710	8,657
Non-GAAP operating income	84,127	35,310
Non-GAAP operating income percentage	31.3%	20.9%

	Three Months Ended	
	September 26, 2010	September 27, 2009
GAAP net income	\$ 58,036	\$ 21,026
Adjustments:		
Stock-based compensation expense	8,004	5,612
Amortization of acquisition-related intangible assets	2,706	3,045
Total adjustments to GAAP income before provision for income taxes	10,710	8,657
Income tax effect	(2,463)	(2,251)
Non-GAAP net income	66,283	27,432
Diluted net income per share:		
GAAP net income	\$ 0.53	\$ 0.23
Non-GAAP	\$ 0.60	\$ 0.30
Shares used in diluted net income per share calculation:		
GAAP net income	109,617	92,730
Non-GAAP	109,617	92,730

	Three Months Ended	
	September 26, 2010	September 27, 2009
Free Cash Flows		
Cash flow from operations	\$ 88,518	\$ 61,188
Less: PP&E CapEx spending	61,649	20,389
Total Free Cash Flows	\$ 26,869	\$ 40,799

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

	<u>Three Months Ended</u>	
	<u>September 26, 2010</u>	<u>September 27, 2009</u>
<b>Stock-Based Compensation Expense</b>		
Cost of sales	\$ 1,132	\$ 825
Research and development	1,815	1,264
Sales, general and administrative	<u>5,057</u>	<u>3,523</u>
<b>Total stock-based compensation in operating expense</b>	<u>6,872</u>	<u>4,787</u>
<b>Total Stock-Based Compensation Expense</b>	<u>\$ 8,004</u>	<u>\$ 5,612</u>
	<u>September 26, 2010</u>	<u>June 27, 2010</u>
<b>Cash, Cash Equivalents and Investments</b>		
Cash and cash equivalents	\$ 412,583	\$ 397,431
Short term investments	<u>686,197</u>	<u>668,974</u>
<b>Total Cash, Cash Equivalents and Investments</b>	<u>\$ 1,098,780</u>	<u>\$ 1,066,405</u>



