

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 and six months ended December 27, 2015 and the three and six months ended December 28, 2014. 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	
	December 27, 2015	December 28, 2014		
Lighting Products revenue	\$ 254,970	\$ 230,168	\$ 24,802	11 %
<i>Percent of revenue</i>	59%	56%		
LED Products revenue	153,362	151,877	1,485	1 %
<i>Percent of revenue</i>	35%	37%		
Power and RF Products revenue	27,474	31,112	(3,638)	(12)%
<i>Percent of revenue</i>	6%	7%		
Total revenue	<u>\$ 435,806</u>	<u>\$ 413,157</u>	<u>\$ 22,649</u>	<u>5 %</u>

	Six Months Ended		Change	
	December 27, 2015	December 28, 2014		
Lighting Products revenue	\$ 503,001	\$ 453,254	\$ 49,747	11 %
<i>Percent of revenue</i>	58%	54%		
LED Products revenue	301,570	325,467	(23,897)	(7)%
<i>Percent of revenue</i>	35%	39%		
Power and RF Products revenue	56,724	62,108	(5,384)	(9)%
<i>Percent of revenue</i>	7%	7%		
Total revenue	<u>\$ 861,295</u>	<u>\$ 840,829</u>	<u>\$ 20,466</u>	<u>2 %</u>

	Three Months Ended		Change	
	December 27, 2015	December 28, 2014		
Lighting Products gross profit	\$ 72,642	\$ 64,701	\$ 7,941	12 %
<i>Lighting Products gross margin</i>	28.5%	28.1%		
LED Products gross profit	53,242	59,424	(6,182)	(10)%
<i>LED Products gross margin</i>	34.7%	39.1%		
Power and RF Products gross profit	14,346	17,260	(2,914)	(17)%
<i>Power and RF Products gross margin</i>	52.2%	55.5%		
Unallocated costs	(5,079)	(4,606)	(473)	10 %
Consolidated gross profit	<u>\$ 135,151</u>	<u>\$ 136,779</u>	<u>\$ (1,628)</u>	<u>(1)%</u>
<i>Consolidated gross margin</i>	<u>31.0%</u>	<u>33.1%</u>		

	Six Months Ended		Change	
	December 27, 2015	December 28, 2014		
Lighting Products gross profit	\$ 141,723	\$ 120,293	\$ 21,430	18 %
<i>Lighting Products gross margin</i>	28.2%	26.5%		
LED Products gross profit	105,901	127,048	(21,147)	(17)%
<i>LED Products gross margin</i>	35.1%	39.0%		
Power and RF Products gross profit	28,669	35,117	(6,448)	(18)%
<i>Power and RF Products gross margin</i>	50.5%	56.5%		
Unallocated costs	(9,394)	(9,859)	465	(5)%
Consolidated gross profit	<u>\$ 266,899</u>	<u>\$ 272,599</u>	<u>\$ (5,700)</u>	<u>(2)%</u>
<i>Consolidated gross margin</i>	31.0%	32.4%		

Reportable Segments Description

The Company's Lighting Products segment primarily consists of LED lighting systems and bulbs. The Company's LED Products segment includes LED components, LED chips, and silicon carbide materials. 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.