

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

	Three Months Ended		Nine Months Ended	
	March 28, 2010	March 29, 2009	March 28, 2010	March 29, 2009
GAAP Gross Profit	\$ 112,206	\$ 47,351	\$ 280,054	\$ 153,210
GAAP Gross Margin	47.9%	36.1%	46.5%	36.6%
Adjustment:				
Stock-based compensation expense	471	1,013	2,025	3,198
Non-GAAP Gross Profit	\$ 112,677	\$ 48,364	\$ 282,079	\$ 156,408
Non-GAAP Gross Margin	48.1%	36.9%	46.8%	37.3%
	Three Months Ended		Nine Months Ended	
	March 28, 2010	March 29, 2009	March 28, 2010	March 29, 2009
GAAP operating income	\$ 56,555	\$ 2,920	\$ 129,257	\$ 19,128
GAAP operating income percentage	24.2%	2.2%	21.4%	4.6%
Adjustments:				
Stock-based compensation expense	5,753	5,250	17,434	15,792
Amortization of acquisition-related intangible assets	3,045	4,062	9,135	12,186
Total adjustments to GAAP operating income	8,798	9,312	26,569	27,978
Non-GAAP operating income	65,353	12,232	155,826	47,106
Non-GAAP operating income percentage	27.9%	9.3%	25.9%	11.2%
	Three Months Ended		Nine Months Ended	
	March 28, 2010	March 29, 2009	March 28, 2010	March 29, 2009
GAAP net income	\$ 44,630	\$ 4,015	\$ 99,442	\$ 20,630
Adjustments:				
Stock-based compensation expense	5,753	5,250	17,434	15,792
Amortization of acquisition-related intangible assets	3,045	4,062	9,135	12,186
Total adjustments to GAAP income before provision for income taxes	8,798	9,312	26,569	27,978
Income tax effect	(2,111)	(1,491)	(7,016)	(6,048)
Non-GAAP net income	51,317	11,836	118,995	42,560
Diluted net income per share:				
GAAP net income	\$ 0.41	\$ 0.05	\$ 0.97	\$ 0.23
Non-GAAP	\$ 0.47	\$ 0.13	\$ 1.16	\$ 0.48
Shares used in diluted net income per share calculation:				
GAAP net income	108,601	88,839	102,907	88,672
Non-GAAP	108,601	88,839	102,907	88,672
	Three Months Ended		Nine Months Ended	
	March 28, 2010	March 29, 2009	March 28, 2010	March 29, 2009
Free Cash Flows				
Cash flow from operations	\$ 72,932	\$ 49,873	\$ 155,631	\$ 134,613
Less: PP&E CapEx spending	66,012	9,328	127,838	40,594
Total Free Cash Flows	\$ 6,920	\$ 40,545	\$ 27,793	\$ 94,019

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

	Three Months Ended		Nine Months Ended	
	March 28, 2010	March 29, 2009	March 28, 2010	March 29, 2009
<b>Stock-Based Compensation Expense</b>				
Cost of sales	\$ 471	\$ 1,013	\$ 2,025	\$ 3,198
Research and development	937	1,402	3,589	4,095
Sales, general and administrative	4,345	2,835	11,820	8,499
Total stock-based compensation in operating expense	<u>5,282</u>	<u>4,237</u>	<u>15,409</u>	<u>12,594</u>
<b>Total Stock-Based Compensation Expense</b>	<u>\$ 5,753</u>	<u>\$ 5,250</u>	<u>\$ 17,434</u>	<u>\$ 15,792</u>
	March 28, 2010	June 28, 2009		
<b>Cash, Cash Equivalents and Investments</b>				
Cash and cash equivalents	\$ 346,956	\$ 290,154		
Short-term investments	640,901	127,499		
Long-term investments	3,163	29,557		
<b>Total Cash, Cash Equivalents and Investments</b>	<u>\$ 991,020</u>	<u>\$ 447,210</u>		