

CREE, INC.
FINANCIAL RESULTS BY OPERATING SEGMENT
(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 (CODM), for the three and six months ended December 29, 2019 and December 30, 2018. 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.

<i>(in millions of U.S. Dollars, except percentages)</i>	Three months ended		Change	
	December 29, 2019	December 30, 2018		
Wolfspeed revenue	\$120.7	\$135.3	(\$14.6)	(11)%
<i>Wolfspeed percent of revenue</i>	50 %	48 %		
LED Products revenue	119.2	145.2	(26.0)	(18)%
<i>LED Products percent of revenue</i>	50 %	52 %		
Total revenue	\$239.9	\$280.5	(\$40.6)	(14)%

<i>(in millions of U.S. Dollars, except percentages)</i>	Six months ended		Change	
	December 29, 2019	December 30, 2018		
Wolfspeed revenue	\$248.4	\$262.7	(\$14.3)	(5)%
<i>Wolfspeed percent of revenue</i>	51 %	47 %		
LED Products revenue	234.3	292.0	(57.7)	(20)%
<i>LED Products percent of revenue</i>	49 %	53 %		
Total revenue	\$482.7	\$554.7	(\$72.0)	(13)%

<i>(in millions of U.S. Dollars, except percentages)</i>	Three months ended		Change	
	December 29, 2019	December 30, 2018		
Wolfspeed gross profit	\$41.8	\$64.7	(\$22.9)	(35)%
<i>Wolfspeed gross margin</i>	35 %	48 %		
LED Products gross profit	26.5	43.5	(17.0)	(39)%
<i>LED Products gross margin</i>	22 %	30 %		
Unallocated costs	(6.4)	(4.7)	(1.7)	(36)%
Consolidated gross profit	\$61.9	\$103.5	(\$41.6)	(40)%
<i>Consolidated gross margin</i>	26 %	37 %		

<i>(in millions of U.S. Dollars, except percentages)</i>	Six months ended		Change	
	December 29, 2019	December 30, 2018		
Wolfspeed gross profit	\$100.8	\$125.1	(\$24.3)	(19)%
<i>Wolfspeed gross margin</i>	41 %	48 %		
LED Products gross profit	48.6	84.8	(36.2)	(43)%
<i>LED Products gross margin</i>	21 %	29 %		
Unallocated costs	(13.3)	(6.9)	(6.4)	(93)%
COGS acquisition related costs	—	(1.2)	1.2	100 %
Consolidated gross profit	\$136.1	\$201.8	(\$65.7)	(33)%
<i>Consolidated gross margin</i>	28 %	36 %		

Reportable Segments Description

The Company's Wolfspeed segment's products consists of silicon carbide and gallium nitride (GaN) materials, and power devices and RF devices based on wide bandgap semiconductor materials and silicon. The Company's LED Products segment's products consist of LED chips and LED components.

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 loss must be included to reconcile the consolidated gross profit presented in the preceding table to the Company's consolidated (loss) 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, annual incentive plans and matching contributions under the Company's 401(k) Plan.

The cost of goods sold (COGS) acquisition related cost adjustment includes inventory fair value amortization of the fair value increase to inventory recognized at the date of acquisition, and acquisition costs resulting from the purchase of certain assets from Infineon's RF Power (RF Power) business in our fiscal 2018 third quarter, impacting cost of revenue for fiscal 2019. These costs were not allocated to the reportable segments' gross profit for fiscal 2019 because they represent an adjustment which does not provide comparability to the corresponding prior period and therefore were not reviewed by our CODM when evaluating segment performance and allocating resources.