

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

	<u>Three Months Ended</u>		<u>Year ended</u>	
	<u>June 26, 2011</u>	<u>June 27, 2010</u>	<u>June 26, 2011</u>	<u>June 27, 2010</u>
GAAP gross profit	\$ 92,703	\$ 131,053	\$ 435,773	\$ 411,107
GAAP gross margin percentage	38.1%	49.5%	44.1%	47.4%
Adjustment:				
Stock-based compensation expense	1,530	1,067	5,454	3,091
Non-GAAP gross profit	<u>\$ 94,233</u>	<u>\$ 132,120</u>	<u>\$ 441,227</u>	<u>\$ 414,198</u>
Non-GAAP gross margin percentage	38.8%	49.9%	44.7%	47.8%
	<u>Three Months Ended</u>		<u>Year ended</u>	
	<u>June 26, 2011</u>	<u>June 27, 2010</u>	<u>June 26, 2011</u>	<u>June 27, 2010</u>
GAAP operating income	\$ 20,200	\$ 68,521	\$ 168,706	\$ 197,778
GAAP operating income percentage	8.3%	25.9%	17.1%	22.8%
Adjustments:				
Stock-based compensation expense	9,947	6,635	38,240	24,067
Amortization of acquisition-related intangible assets	2,670	3,045	10,776	12,180
Total adjustments to GAAP operating income	<u>12,617</u>	<u>9,680</u>	<u>49,016</u>	<u>36,247</u>
Non-GAAP operating income	<u>32,817</u>	<u>78,201</u>	<u>217,722</u>	<u>234,025</u>
Non-GAAP operating income percentage	13.5%	29.6%	22.0%	27.0%
	<u>Three Months Ended</u>		<u>Year ended</u>	
	<u>June 26, 2011</u>	<u>June 27, 2010</u>	<u>June 26, 2011</u>	<u>June 27, 2010</u>
GAAP net income	\$ 19,808	\$ 52,848	\$ 146,500	\$ 152,290
Adjustments:				
Stock-based compensation expense	9,947	6,635	38,240	24,067
Amortization of acquisition-related intangible assets	2,670	3,045	10,776	12,180
Total adjustments to GAAP income before provision for income taxes	<u>12,617</u>	<u>9,680</u>	<u>49,016</u>	<u>36,247</u>
Income tax effect	<u>(1,871)</u>	<u>(2,408)</u>	<u>(8,726)</u>	<u>(9,382)</u>
Non-GAAP net income	<u>30,554</u>	<u>60,120</u>	<u>186,790</u>	<u>179,155</u>
Earnings per share:				
GAAP diluted net income per share	<u>\$ 0.18</u>	<u>\$ 0.48</u>	<u>\$ 1.33</u>	<u>\$ 1.45</u>
Non-GAAP diluted net income per share	<u>\$ 0.28</u>	<u>\$ 0.55</u>	<u>\$ 1.70</u>	<u>\$ 1.71</u>
Shares used in diluted net income per share calculation:				
GAAP shares used	<u>109,990</u>	<u>109,558</u>	<u>110,035</u>	<u>104,698</u>
Non-GAAP shares used	<u>109,990</u>	<u>109,558</u>	<u>110,035</u>	<u>104,698</u>
	<u>Three Months Ended</u>		<u>Year ended</u>	
	<u>June 26, 2011</u>	<u>June 27, 2010</u>	<u>June 26, 2011</u>	<u>June 27, 2010</u>
Free Cash Flows				
Cash flow from operations	\$ 64,458	\$ 94,938	\$ 251,380	\$ 250,569
Less: PP&E CapEx spending	47,852	40,786	237,085	168,624
Total Free Cash Flows	<u>\$ 16,606</u>	<u>\$ 54,152</u>	<u>\$ 14,295</u>	<u>\$ 81,945</u>

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

	Three Months Ended		Year ended	
	June 26, 2011	June 27, 2010	June 26, 2011	June 27, 2010
Stock-Based Compensation Expense				
Cost of sales	\$ 1,530	\$ 1,067	\$ 5,454	\$ 3,091
Research and development	2,132	1,452	8,388	5,040
Sales, general and administrative	6,285	4,116	24,398	15,936
Total stock-based compensation in operating expense	<u>8,417</u>	<u>5,568</u>	<u>32,786</u>	<u>20,976</u>
Total Stock-Based Compensation Expense	<u>\$ 9,947</u>	<u>\$ 6,635</u>	<u>\$ 38,240</u>	<u>\$ 24,067</u>
	June 26, 2011	June 27, 2010		
Cash, Cash Equivalents and Investments				
Cash and cash equivalents	\$ 390,598	\$ 397,431		
Short term investments	695,199	668,974		
Total Cash, Cash Equivalents and Investments	<u>\$ 1,085,797</u>	<u>\$ 1,066,405</u>		