

CREE, INC.
FINANCIAL RESULTS BY OPERATING SEGMENT
(unaudited)

The following tables reflect 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 months ended September 27, 2020 and September 29, 2019. 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	
	September 27, 2020	September 29, 2019		
Wolfspeed revenue	\$115.5	\$127.7	(\$12.2)	(10)%
<i>Wolfspeed percent of revenue</i>	53 %	53 %		
LED Products revenue	101.1	115.1	(14.0)	(12)%
<i>LED Products percent of revenue</i>	47 %	47 %		
Total revenue	\$216.6	\$242.8	(\$26.2)	(11)%

<i>(in millions of U.S. Dollars, except percentages)</i>	Three months ended		Change	
	September 27, 2020	September 29, 2019		
Wolfspeed gross profit	\$42.3	\$59.0	(\$16.7)	(28)%
<i>Wolfspeed gross margin</i>	37 %	46 %		
LED Products gross profit	22.4	22.1	0.3	1 %
<i>LED Products gross margin</i>	22 %	19 %		
Unallocated costs ⁽¹⁾	(10.7)	(6.9)	(3.8)	(55)%
Consolidated gross profit	\$54.0	\$74.2	(\$20.2)	(27)%
<i>Consolidated gross margin</i>	25 %	31 %		

⁽¹⁾ Unallocated costs for the three months ended September 27, 2020 include \$0.9 million in incremental manufacturing costs relating to COVID-19.

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.

For the three months ended September 27, 2020, unallocated costs include incremental costs relating to operating our manufacturing operations during the COVID-19 pandemic. The majority of these incremental costs comprise additional labor costs paid to our manufacturing employees, increased cleaning costs, cleaning supplies and protective equipment, and the costs of implementing preventative safety measures, including increased wellness checks.