

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

	<u>Three Months Ended</u>	
	<u>September 27, 2009</u>	<u>September 28, 2008</u>
GAAP Gross Profit	\$ 73,778	\$ 49,363
GAAP Gross Margin	43.6%	35.2%
Adjustment:		
Stock-based compensation expense	825	1,302
Non-GAAP Gross Profit	<u>\$ 74,603</u>	<u>\$ 50,665</u>
Non-GAAP Gross Margin	44.1%	36.1%

	<u>Three Months Ended</u>	
	<u>September 27, 2009</u>	<u>September 28, 2008</u>
GAAP operating income	\$ 26,653	\$ 4,703
GAAP operating income percentage	15.8%	3.4%
Adjustments:		
Stock-based compensation expense	5,612	5,433
Amortization of acquisition-related intangible assets	3,045	4,062
Total adjustments to GAAP operating income	<u>8,657</u>	<u>9,495</u>
Non-GAAP operating income	35,310	14,198
Non-GAAP operating income percentage	20.9%	10.1%

	<u>Three Months Ended</u>	
	<u>September 27, 2009</u>	<u>September 28, 2008</u>
GAAP net income	\$ 21,026	\$ 5,919
Adjustments:		
Stock-based compensation expense	5,612	5,433
Amortization of acquisition-related intangible assets	3,045	4,062
Total adjustments to GAAP income before provision for income taxes	<u>8,657</u>	<u>9,495</u>
Income tax effect	<u>(2,251)</u>	<u>(2,165)</u>
Non-GAAP net income	27,432	13,249
Diluted net income per share:		
GAAP net income	<u>\$ 0.23</u>	<u>\$ 0.07</u>
Non-GAAP	<u>\$ 0.30</u>	<u>\$ 0.15</u>
Shares used in diluted net income per share calculation:		
GAAP net income	<u>92,730</u>	<u>88,732</u>
Non-GAAP	<u>92,730</u>	<u>88,732</u>

	<u>Three Months Ended</u>	
	<u>September 27, 2009</u>	<u>September 28, 2008</u>
Free Cash Flows		
Cash flow from operations	\$ 61,188	\$ 43,951
Less: PP&E CapEx spending	20,389	13,700
Total Free Cash Flows	<u>\$ 40,799</u>	<u>\$ 30,251</u>

**CREE, INC.**  
**Additional Financial Information**

(in thousands)

(Unaudited)

	<b>Three Months Ended</b>	
	<b>September 27, 2009</b>	<b>September 28, 2008</b>
<b>Stock-Based Compensation Expense</b>		
Cost of sales	\$ 825	\$ 1,302
Research and development	1,264	1,446
Sales, general and administrative	3,523	2,685
<b>Total stock-based compensation in operating expense</b>	<b>4,787</b>	<b>4,131</b>
<b>Total Stock-Based Compensation Expense</b>	<b>\$ 5,612</b>	<b>\$ 5,433</b>
	<b>September 27, 2009</b>	<b>June 28, 2009</b>
<b>Cash, Cash Equivalents and Investments</b>		
Cash and cash equivalents	\$ 695,991	\$ 290,154
Short term investments	172,286	127,499
Long term investments	20,170	29,557
<b>Total Cash, Cash Equivalents and Investments</b>	<b>\$ 888,447</b>	<b>\$ 447,210</b>