

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

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>December 27, 2009</u>	<u>December 28, 2008</u>	<u>December 27, 2009</u>	<u>December 28, 2008</u>
GAAP Gross Profit	\$ 94,070	\$ 56,496	\$ 167,848	\$ 105,859
GAAP Gross Margin	47.2%	38.3%	45.5%	36.8%
Adjustment:				
Stock-based compensation expense	729	883	1,554	2,185
Non-GAAP Gross Profit	<u>\$ 94,799</u>	<u>\$ 57,379</u>	<u>\$ 169,402</u>	<u>\$ 108,044</u>
Non-GAAP Gross Margin	47.5%	38.9%	46.0%	37.5%
	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>December 27, 2009</u>	<u>December 28, 2008</u>	<u>December 27, 2009</u>	<u>December 28, 2008</u>
GAAP operating income	\$ 46,030	\$ 11,505	\$ 72,683	\$ 16,208
GAAP operating income percentage	23.1%	7.8%	19.7%	5.6%
Adjustments:				
Stock-based compensation expense	6,069	5,109	11,681	10,542
Amortization of acquisition-related intangible assets	3,045	4,062	6,090	8,124
Total adjustments to GAAP operating income	<u>9,114</u>	<u>9,171</u>	<u>17,771</u>	<u>18,666</u>
Non-GAAP operating income	<u>55,144</u>	<u>20,676</u>	<u>90,454</u>	<u>34,874</u>
Non-GAAP operating income percentage	27.6%	14.0%	24.5%	12.1%
	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>December 27, 2009</u>	<u>December 28, 2008</u>	<u>December 27, 2009</u>	<u>December 28, 2008</u>
GAAP net income	\$ 33,786	\$ 10,696	\$ 54,812	\$ 16,615
Adjustments:				
Stock-based compensation expense	6,069	5,109	11,681	10,542
Amortization of acquisition-related intangible assets	3,045	4,062	6,090	8,124
Total adjustments to GAAP income before provision for income taxes	<u>9,114</u>	<u>9,171</u>	<u>17,771</u>	<u>18,666</u>
Income tax effect	<u>(2,698)</u>	<u>(2,098)</u>	<u>(5,022)</u>	<u>(4,338)</u>
Non-GAAP net income	<u>40,202</u>	<u>17,769</u>	<u>67,561</u>	<u>30,943</u>
Diluted net income per share:				
GAAP net income	<u>\$ 0.32</u>	<u>\$ 0.12</u>	<u>\$ 0.55</u>	<u>\$ 0.19</u>
Non-GAAP	<u>\$ 0.38</u>	<u>\$ 0.20</u>	<u>\$ 0.68</u>	<u>\$ 0.35</u>
Shares used in diluted net income per share calculation:				
GAAP net income	<u>106,607</u>	<u>88,511</u>	<u>99,836</u>	<u>88,619</u>
Non-GAAP	<u>106,607</u>	<u>88,511</u>	<u>99,836</u>	<u>88,619</u>
	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>December 27, 2009</u>	<u>December 28, 2008</u>	<u>December 27, 2009</u>	<u>December 28, 2008</u>
Free Cash Flows				
Cash flow from operations	\$ 21,511	\$ 40,789	\$ 82,699	\$ 84,740
Less: PP&E CapEx spending	41,437	17,566	61,826	31,266
Total Free Cash Flows	<u>\$ (19,926)</u>	<u>\$ 23,223</u>	<u>\$ 20,873</u>	<u>\$ 53,474</u>

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

	Three Months Ended		Six Months Ended	
	December 27, 2009	December 28, 2008	December 27, 2009	December 28, 2008
Stock-Based Compensation Expense				
Cost of sales	\$ 729	\$ 883	\$ 1,554	\$ 2,185
Research and development	1,388	1,247	2,652	2,693
Sales, general and administrative	3,952	2,979	7,475	5,664
Total stock-based compensation in operating expense	<u>5,340</u>	<u>4,226</u>	<u>10,127</u>	<u>8,357</u>
Total Stock-Based Compensation Expense	<u>\$ 6,069</u>	<u>\$ 5,109</u>	<u>\$ 11,681</u>	<u>\$ 10,542</u>
	December 27, 2009	June 28, 2009		
Cash, Cash Equivalents and Investments				
Cash and cash equivalents	\$ 482,557	\$ 290,154		
Short term investments	456,687	127,499		
Long term investments	14,845	29,557		
Total Cash, Cash Equivalents and Investments	<u>\$ 954,089</u>	<u>\$ 447,210</u>		