

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

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>March 28, 2010</u>	<u>March 29, 2009</u>	<u>March 28, 2010</u>	<u>March 29, 2009</u>
GAAP Gross Profit	\$ 112,206	\$ 47,351	\$ 280,054	\$ 153,210
GAAP Gross Margin	47.9%	36.1%	46.5%	36.6%
Adjustment:				
Stock-based compensation expense	471	1,013	2,025	3,198
Non-GAAP Gross Profit	<u>\$ 112,677</u>	<u>\$ 48,364</u>	<u>\$ 282,079</u>	<u>\$ 156,408</u>
Non-GAAP Gross Margin	48.1%	36.9%	46.8%	37.3%
	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>March 28, 2010</u>	<u>March 29, 2009</u>	<u>March 28, 2010</u>	<u>March 29, 2009</u>
GAAP operating income	\$ 56,555	\$ 2,920	\$ 129,257	\$ 19,128
GAAP operating income percentage	24.2%	2.2%	21.4%	4.6%
Adjustments:				
Stock-based compensation expense	5,753	5,250	17,434	15,792
Amortization of acquisition-related intangible assets	3,045	4,062	9,135	12,186
Total adjustments to GAAP operating income	<u>8,798</u>	<u>9,312</u>	<u>26,569</u>	<u>27,978</u>
Non-GAAP operating income	65,353	12,232	155,826	47,106
Non-GAAP operating income percentage	27.9%	9.3%	25.9%	11.2%
	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>March 28, 2010</u>	<u>March 29, 2009</u>	<u>March 28, 2010</u>	<u>March 29, 2009</u>
GAAP net income	\$ 44,630	\$ 4,015	\$ 99,442	\$ 20,630
Adjustments:				
Stock-based compensation expense	5,753	5,250	17,434	15,792
Amortization of acquisition-related intangible assets	3,045	4,062	9,135	12,186
Total adjustments to GAAP income before provision for income taxes	<u>8,798</u>	<u>9,312</u>	<u>26,569</u>	<u>27,978</u>
Income tax effect	<u>(2,111)</u>	<u>(1,491)</u>	<u>(7,016)</u>	<u>(6,048)</u>
Non-GAAP net income	51,317	11,836	118,995	42,560
Diluted net income per share:				
GAAP net income	<u>\$ 0.41</u>	<u>\$ 0.05</u>	<u>\$ 0.97</u>	<u>\$ 0.23</u>
Non-GAAP	<u>\$ 0.47</u>	<u>\$ 0.13</u>	<u>\$ 1.16</u>	<u>\$ 0.48</u>
Shares used in diluted net income per share calculation:				
GAAP net income	<u>108,601</u>	<u>88,839</u>	<u>102,907</u>	<u>88,672</u>
Non-GAAP	<u>108,601</u>	<u>88,839</u>	<u>102,907</u>	<u>88,672</u>
	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>March 28, 2010</u>	<u>March 29, 2009</u>	<u>March 28, 2010</u>	<u>March 29, 2009</u>
Free Cash Flows				
Cash flow from operations	\$ 72,932	\$ 49,873	\$ 155,631	\$ 134,613
Less: PP&E CapEx spending	<u>66,012</u>	<u>9,328</u>	<u>127,838</u>	<u>40,594</u>
Total Free Cash Flows	<u>\$ 6,920</u>	<u>\$ 40,545</u>	<u>\$ 27,793</u>	<u>\$ 94,019</u>

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

	Three Months Ended		Nine Months Ended	
	March 28, 2010	March 29, 2009	March 28, 2010	March 29, 2009
<b>Stock-Based Compensation Expense</b>				
Cost of sales	\$ 471	\$ 1,013	\$ 2,025	\$ 3,198
Research and development	937	1,402	3,589	4,095
Sales, general and administrative	4,345	2,835	11,820	8,499
Total stock-based compensation in operating expense	<u>5,282</u>	<u>4,237</u>	<u>15,409</u>	<u>12,594</u>
<b>Total Stock-Based Compensation Expense</b>	<u>\$ 5,753</u>	<u>\$ 5,250</u>	<u>\$ 17,434</u>	<u>\$ 15,792</u>
	March 28, 2010	June 28, 2009		
<b>Cash, Cash Equivalents and Investments</b>				
Cash and cash equivalents	\$ 346,956	\$ 290,154		
Short-term investments	640,901	127,499		
Long-term investments	3,163	29,557		
<b>Total Cash, Cash Equivalents and Investments</b>	<u>\$ 991,020</u>	<u>\$ 447,210</u>		