



For Immediate Release

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Cree Reports Financial Results for the Third Quarter of Fiscal Year 2012

DURHAM, N.C., April 17, 2012 - Cree, Inc. (Nasdaq: CREE), a market leader in LED lighting, today announced revenue of \$284.8 million for its third quarter of fiscal 2012, ended March 25, 2012. This represents a 30% increase compared to revenue of \$219.2 million reported for the third quarter of fiscal 2011 and a 6% decrease compared to the second quarter of fiscal 2012. GAAP net income for the third quarter was \$9.5 million, or \$0.08 per diluted share, a decrease of 50% year-over-year compared to GAAP net income of \$18.9 million, or \$0.17 per diluted share, for the third quarter of fiscal 2011. On a non-GAAP basis, net income for the third quarter of fiscal 2012 was \$23.3 million, or \$0.20 per diluted share, a decrease of 22% year-over-year compared to non-GAAP net income for the third quarter of fiscal 2011 of \$30.1 million, or \$0.27 per diluted share.

"Our third quarter earnings per share were in the middle of our target range as strong factory execution and a tax benefit offset the impact of revenue being slightly below our target range," stated Chuck Swoboda, Cree Chairman and CEO. "Overall company backlog is stronger than it was at this point last quarter, with Lighting, LEDs and Power and RF all tracking ahead of Q2, although order visibility is still limited. Our focus remains on driving adoption through innovation and we believe we are well positioned to continue leading the transition to LED lighting and drive growth in our business."

Q3 2012 Financial Metrics

(in thousands except per share amounts and percentages)

	Third Quarter		Change	
	2012	2011		
	(unaudited)	(unaudited)		
Net revenue	\$ 284,801	\$ 219,168	\$ 65,633	30%
GAAP				
Gross Margin	34.9%	41.7%		
Operating Margin	1.8%	9.0%		
Net Income	\$ 9,489	\$ 18,881	\$ (9,392)	(50)%
Earnings per diluted share	\$ 0.08	\$ 0.17	\$ (0.09)	(53)%
Non-GAAP				
Gross Margin	35.6%	42.4%		
Operating Margin	8.6%	14.9%		
Net Income	\$ 23,322	\$ 30,064	\$ (6,742)	(22)%
Earnings per diluted share	\$ 0.20	\$ 0.27	\$ (0.07)	(26)%

- Gross margin increased 30 basis points from Q2 of fiscal 2012 to 34.9% on a GAAP basis and 35.6% on a non-GAAP basis.
- Cash and investments increased \$22.8 million from Q2 of fiscal 2012 to \$710.1 million.
- Accounts receivable (net) increased \$11.8 million from Q2 of fiscal 2012 to \$168.2 million, with days sales outstanding of 53.
- Inventory increased \$9.5 million from Q2 of fiscal 2012 to \$196.8 million and represents 96 days of inventory.

Recent Business Highlights:

- Released our new XSP Series LED Street Lights, which are redefining the economics of LED street lights by more than doubling the lumens per dollar and taking payback to the next level;
- Introduced the XLamp® XT-E LED, the second product based on our new SC³ Technology Platform, which doubles the lumens per dollar of lighting-class LEDs;
- Expanded our CR Troffer Series to address more applications and eliminate the use of antiquated fluorescent technology in new or retrofit commercial and industrial settings;
- Set a new R&D performance record with a prototype LED, which produced 254 lumens per watt;
- Released our new Aeroblades™ outdoor lighting product line, which combines cutting-edge technology with high design.

Business Outlook:

For its fourth quarter of fiscal 2012 ending June 24, 2012, Cree targets revenue in a range of \$295 million to \$315 million with GAAP gross margin targeted to be 35% +/- and non-GAAP gross margin targeted to be 36% +/- . Our GAAP gross margin targets include stock-based compensation expense of approximately \$2.5 million, while our non-GAAP targets do not. Operating expenses are targeted to increase by +/- \$5 million on a GAAP basis and +/- \$4 million on a non-GAAP basis. The tax rate is targeted at 13.0% for fiscal Q4. GAAP net income is targeted at \$5 million to \$12 million, or \$0.04 to \$0.10 per diluted share. Non-GAAP net income is targeted in a range of \$23 million to \$30 million, or \$0.20 to \$0.26 per diluted share. The GAAP and non-GAAP net income targets are based on an estimated 116.6 million diluted weighted average shares. Targeted non-GAAP earnings exclude expenses related to the amortization of acquired intangibles of \$0.06 per diluted share and stock-based compensation expense of \$0.10 per diluted share.

Quarterly Conference Call:

Cree will host a conference call at 5:00 p.m. Eastern time today to review the highlights of the fiscal third quarter 2012 results and the fiscal fourth quarter 2012 business outlook, including significant factors and assumptions underlying the targets noted above. The conference call will be available to the public through a live audio web broadcast via the Internet. Log on to Cree's website at www.cree.com and go to "Investor Relations - Financial Events and Presentations" for webcast details. The call will be archived and available on the website through May 1, 2012.

Supplemental financial information, including the non-GAAP reconciliation attached to this press release, is available in the "Investor Relations" section of Cree's website, under "Financial Information," "Quarterly Results," at www.cree.com.

About Cree, Inc.

Cree is leading the LED lighting revolution and making energy-wasting traditional lighting technologies obsolete through the use of energy-efficient, mercury-free LED lighting. Cree is a market-leading innovator of lighting-class LEDs, LED lighting, and semiconductor products for power and radio frequency (RF) applications.

Cree's product families include LED fixtures and bulbs, blue and green LED chips, high-brightness LEDs, lighting-class power LEDs, power-switching devices and RF devices. Cree products are driving improvements in applications such as general illumination, electronic signs and signals, power supplies and solar inverters.

For additional product and company information, please refer to www.cree.com.

Non-GAAP Financial Measures:

This press release highlights the company's financial results on both a GAAP and a non-GAAP basis. The GAAP results include certain costs, charges and expenses which are excluded from non-GAAP results. By publishing the non-GAAP measures, management intends to provide investors with additional information to further analyze the company's performance, core results and underlying trends. Cree's management evaluates results and makes operating decisions using both GAAP and non-GAAP measures included in this press release. Non-GAAP results are not prepared in accordance with GAAP and non-GAAP information should be considered a supplement to, and not a substitute for, financial statements prepared in accordance with GAAP. Investors and potential investors are encouraged to review the reconciliation of non-GAAP financial measures to their most directly comparable GAAP measures attached to this press release.

Forward Looking Statements:

The schedules attached to this release are an integral part of the release. This press release contains forward-looking statements involving risks and uncertainties, both known and unknown, that may cause actual results to differ materially from those indicated. Actual results, including with respect to our targets and prospects, could differ materially due to a number of factors, including the risk that we may not obtain sufficient orders to achieve our targeted revenues given that our current backlog has remained at relatively low levels for the revenue targets and our ability to forecast orders is limited; risks associated with our acquisition of Ruud Lighting; increasing price competition in key markets; the risk that we or our channel partners are not able to develop and expand customer bases and accurately anticipate demand from end customers, which can result in increased inventory and reduced orders as we experience wide fluctuations in supply and demand; the risk that our results will suffer if we are unable to balance fluctuations in customer demand and capacity; risks associated with the ramp-up of production of our new products, and our entry into new business channels different from those in which we have historically operated; the risk that we may experience production difficulties that preclude us from shipping sufficient quantities to meet customer orders or that result in higher production costs and lower margins; our ability to lower costs; ongoing uncertainty in global economic conditions, infrastructure development or customer demand that could negatively affect product demand, collectibility of receivables and other related matters as consumers and businesses may defer purchases or payments, or default on payments; the risk we may be required to record a significant charge to earnings if our goodwill or amortizable assets become impaired; our ability to complete development and commercialization of products under development, such as our pipeline of improved LED chips, LED components and LED lighting products; risks resulting from the concentration of our business among few customers, including the risk that customers may reduce or cancel orders or fail to honor purchase commitments; the rapid development of new technology and competing products that may impair demand or render our products obsolete; the potential lack of customer acceptance for our products; risks associated with ongoing litigation; and other

factors discussed in our filings with the Securities and Exchange Commission (SEC), including our report on Form 10-K for the fiscal year ended June 26, 2011, and subsequent reports filed with the SEC. Except as required under the U.S. federal securities laws and the rules and regulations of the SEC, Cree disclaims any obligation to update any forward-looking statements after the date of this release, whether as a result of new information, future events, developments, changes in assumptions or otherwise.

Cree[®], the Cree logo and XLamp[®] are registered trademarks and Aeroblades[™] is a trademark of Cree, Inc. or one of its subsidiaries.

CREE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts and percentages)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	March 25, 2012	March 27, 2011	March 25, 2012	March 27, 2011
(Thousands, except per share amounts)				
Revenue, net	\$ 284,801	\$ 219,168	\$ 857,899	\$ 744,588
Cost of revenue, net	185,388	127,773	555,340	401,518
Gross profit	99,413	91,395	302,559	343,070
Gross margin percentage	34.9%	41.7%	35.3%	46.1%
Operating expenses:				
Research and development	36,148	31,016	106,436	84,981
Sales, general and administrative	50,074	37,603	144,789	100,171
Amortization of acquisition-related intangibles	7,368	2,693	18,660	8,105
Loss on disposal or impairment of long-lived assets	816	405	2,088	1,306
Total operating expenses	94,406	71,717	271,973	194,563
Operating income	5,007	19,678	30,586	148,507
Operating income percentage	1.8%	9.0%	3.6%	19.9%
Non-operating income:				
Interest and other non-operating income, net	2,183	2,276	6,815	6,463
Income from operations before income taxes	7,190	21,954	37,401	154,970
Income tax (benefit) expense	(2,299)	3,073	3,015	28,278
Net income	<u>\$ 9,489</u>	<u>\$ 18,881</u>	<u>\$ 34,386</u>	<u>\$ 126,692</u>
Earnings per share:				
Diluted net income per share	<u>\$ 0.08</u>	<u>\$ 0.17</u>	<u>\$ 0.30</u>	<u>\$ 1.15</u>
Shares used in diluted per share calculation	116,074	110,323	114,879	110,007

CREE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	March 25, 2012	June 26, 2011
	(unaudited)	
	(Thousands, except par value)	
ASSETS		
Current assets:		
Cash, cash equivalents, and short-term investments	\$ 710,094	\$ 1,085,797
Accounts receivable, net	168,208	118,469
Income tax receivable	1,201	6,796
Inventories	196,835	176,482
Deferred income taxes	18,854	17,857
Prepaid expenses and other current assets	56,340	51,494
Total current assets	1,151,532	1,456,895
Property and equipment, net	594,468	555,929
Intangible assets, net	380,356	102,860
Goodwill	616,982	326,178
Other assets	7,670	4,860
Total assets	\$ 2,751,008	\$ 2,446,722
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable, trade	\$ 90,556	\$ 76,593
Accrued salaries and wages	34,196	18,491
Income taxes payable	1,955	15,493
Other current liabilities	33,142	29,739
Total current liabilities	159,849	140,316
Long-term liabilities:		
Deferred income taxes	21,902	21,902
Other long-term liabilities	24,509	22,940
Total long-term liabilities	46,411	44,842
Shareholders' equity:		
Common Stock	144	136
Additional paid-in-capital	1,843,975	1,593,530
Accumulated other comprehensive income, net of taxes	11,436	13,091
Retained earnings	689,193	654,807
Total shareholders' equity	2,544,748	2,261,564
Total liabilities and shareholders' equity	\$ 2,751,008	\$ 2,446,722

Cree, Inc.
Non-GAAP Measures of Financial Performance

To supplement the company's consolidated financial statements presented in accordance with generally accepted accounting principles, or GAAP, Cree uses non-GAAP measures of certain components of financial performance. These non-GAAP measures include non-GAAP net income, non-GAAP earnings per diluted share, non-GAAP gross margin, non-GAAP operating expenses and free cash flow.

Reconciliation to the nearest GAAP measure of all historical non-GAAP measures included in this press release can be found in the tables included with this press release. In this press release, Cree also presents its target for non-GAAP expenses, which is expenses less stock-based compensation expense, charges for amortization or impairment of acquired intangibles, acquisition finished goods inventory step-up, and acquisition costs.

Non-GAAP measures presented in this press release are not in accordance with or an alternative to measures prepared in accordance with GAAP and may be different from non-GAAP measures used by other companies. In addition, these non-GAAP measures are not based on any comprehensive set of accounting rules or principles. Non-GAAP measures have limitations in that they do not reflect all of the amounts associated with Cree's results of operations as determined in accordance with GAAP. These non-GAAP measures should only be used to evaluate Cree's results of operations in conjunction with the corresponding GAAP measures.

Cree believes that these non-GAAP measures, when shown in conjunction with the corresponding GAAP measures, enhance investors' and management's overall understanding of the company's current financial performance and the company's prospects for the future, including cash flows available to pursue opportunities to enhance shareholder value. In addition, because Cree has historically reported certain non-GAAP results to investors, the company believes the inclusion of non-GAAP measures provides consistency in the company's financial reporting.

For its internal budgeting process, and as discussed further below, Cree's management uses financial statements that do not include stock-based compensation expense or amortization or impairment of acquired intangible assets, and the income taxes associated with the foregoing, and also do not include acquisition finished goods inventory step-up or acquisition costs. Cree's management also uses non-GAAP measures, in addition to the corresponding GAAP measures, in reviewing the company's financial results.

As described above, Cree excludes the following items from one or more of its non-GAAP measures when applicable:

Stock-based compensation expense. This expense consists of expenses for stock options, restricted stock and employee stock purchases through its ESPP. Cree excludes stock-based compensation expenses from its non-GAAP measures primarily because they are non-cash expenses that Cree does not believe are reflective of ongoing operating results.

Amortization or impairment of acquired intangible assets. Cree incurs amortization or impairments of acquired intangible assets in connection with acquisitions. Cree excludes these items because they arise from Cree's prior acquisitions and have no direct correlation to the current operating results of Cree's business.

Ruud Lighting Finished Goods Inventory Step-up. The inventory purchased as part of the Ruud Lighting acquisition was recorded at fair value at the time of the acquisition. In particular, the finished goods inventory was valued at the anticipated customer sales price less cost to sell, which is higher than the cost to produce the finished goods. Cree refers to the difference between the fair value and cost to produce as the Ruud Lighting finished goods inventory step-up. Cree excludes this inventory step-up item as Cree does not believe this step-up value is reflective of ongoing operating results.

Ruud Lighting Acquisition Cost. Cree incurred expenses directly related the acquisition of Ruud Lighting. These expenses include auditor fees, investment banking fees, legal fees and other consulting fees incurred to conclude the acquisition. Cree excludes these expenses as they bear no direct correlation to the current operating results and are not reflective of the ongoing operating results.

Income tax effects of the foregoing non-GAAP items. This amount is used to present each of the amounts described above on an after-tax basis consistent with the presentation of non-GAAP net income.

Cree expects to incur stock-based compensation expense and amortization of acquired intangible assets in future periods, including income taxes associated with all of the foregoing. In addition to the non-GAAP measures discussed above, Cree also uses free cash flow as a measure of operating performance. Free cash flow represents operating cash flows less net purchases of property and equipment and patent and licensing rights. Cree considers free cash flow to be a liquidity measure that provides useful information to management and investors about the amount of cash generated by the business after the purchases of property and equipment, which can then be used to, among other things, invest in Cree's business, make strategic acquisitions, strengthen the balance sheet and repurchase stock. A limitation of the utility of free cash flow as a measure of financial performance is that it does not represent the total increase or decrease in the company's cash balance for the period.

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

Non-GAAP Gross Margin

	Three Months Ended		Nine Months Ended	
	March 25, 2012	March 27, 2011	March 25, 2012	March 27, 2011
GAAP gross profit	\$ 99,413	\$ 91,395	\$ 302,559	\$ 343,070
GAAP gross margin percentage	34.9%	41.7%	35.3%	46.1%
Adjustment:				
Stock-based compensation expense	\$ 2,104	\$ 1,440	\$ 5,433	\$ 3,924
Ruud Lighting finished goods inventory step up	—	—	1,482	—
Non-GAAP Gross Profit	\$ 101,517	\$ 92,835	\$ 309,474	\$ 346,994
Non-GAAP gross margin percentage	35.6%	42.4%	36.1%	46.6%

Non-GAAP Operating Income

	Three Months Ended		Nine Months Ended	
	March 25, 2012	March 27, 2011	March 25, 2012	March 27, 2011
GAAP operating income	\$ 5,007	\$ 19,678	\$ 30,586	\$ 148,507
GAAP operating income percentage	1.8%	9.0%	3.6%	19.9%
Adjustments				
Stock-based compensation expense	\$ 12,249	\$ 10,311	\$ 34,884	\$ 28,293
Amortization of acquisition-related intangible assets	7,368	2,693	18,660	8,105
Ruud Lighting acquisition costs	—	—	3,069	—
Ruud Lighting finished goods inventory step up	—	—	1,482	—
Total adjustments to GAAP operating income	\$ 19,617	\$ 13,004	\$ 58,095	\$ 36,398
Non-GAAP operating income	\$ 24,624	\$ 32,682	\$ 88,681	\$ 184,905
Non-GAAP operating income percentage	8.6%	14.9%	10.3%	24.8%

Non-GAAP Net Income

	Three Months Ended		Nine Months Ended	
	March 25, 2012	March 27, 2011	March 25, 2012	March 27, 2011
GAAP net income	\$ 9,489	\$ 18,881	\$ 34,386	\$ 126,692
Adjustments				
Stock-based compensation expense	12,249	10,311	34,884	28,293
Amortization of acquisition-related intangible assets	7,368	2,693	18,660	8,105
Ruud Lighting acquisition costs	—	—	3,069	—
Ruud Lighting finished goods inventory step up	—	—	1,482	—
Total adjustments to GAAP income before provision for income taxes	\$ 19,617	\$ 13,004	\$ 58,095	\$ 36,398
Income tax effect *	\$ (5,784)	\$ (1,821)	\$ (12,436)	\$ (6,642)
Non-GAAP net income	\$ 23,322	\$ 30,064	\$ 80,045	\$ 156,448
Earnings per Share				
Non-GAAP diluted net income per share	\$ 0.20	\$ 0.27	\$ 0.70	\$ 1.42
Shares used in diluted net income per share calculation				
Non-GAAP shares used	116,074	110,323	114,879	110,007

* Based on effective tax rate calculated using forecasted non-GAAP income

Free Cash Flow

	Three Months Ended		Nine Months Ended	
	March 25, 2012	March 27, 2011	March 25, 2012	March 27, 2011
Cash flow from operations	\$ 48,340	\$ 41,167	\$ 170,577	\$ 186,922
Less: PP&E CapEx spending	22,168	62,846	75,206	189,233
Less: Patents spending	3,916	3,622	11,959	8,821
Total free cash flows	\$ 22,256	\$ (25,301)	\$ 83,412	\$ (11,132)