



October 20, 2009

Cree Reports Record Quarterly Revenue for the First Quarter of Fiscal Year 2010

Quarterly Revenue increased 20% year-over-year to \$169 Million

DURHAM, N.C., OCTOBER 20, 2009 – Cree, Inc. (Nasdaq: CREE), a market leader in LED lighting, today announced record revenue of \$169.1 million for its first quarter of fiscal 2010, ended September 27, 2009. This represents a 20% increase compared to revenue of \$140.4 million reported for the first fiscal quarter last year and a 14% increase compared to the fourth quarter of fiscal 2009. GAAP net income for the first quarter increased 255% year-over-year to \$21.0 million, or \$0.23 per diluted share, compared to GAAP net income of \$5.9 million, or \$0.07 per diluted share, for the first quarter of fiscal 2009. On a non-GAAP basis, net income for the first quarter of fiscal 2010 increased 107% year-over-year to \$27.4 million, or \$0.30 per diluted share, compared to non-GAAP net income for the first quarter of fiscal 2009 of \$13.2 million or \$0.15 per diluted share. Cree generated \$61.2 million of operating cash flow and \$40.8 million of free cash flow (cash flow from operations less capital expenditures) during the first quarter.

“We got off to a very good start in Q1, as both revenue and profits exceeded our targets,” stated Chuck Swoboda, Cree Chairman and CEO. “We are benefitting from continued LED lighting adoption and high factory utilization and are well positioned for solid growth in Q2. As a result of the recent equity offering, we have the balance sheet to invest in the growth of our business as we look to continue to lead the LED lighting revolution.”

Q1 2010 Financial Metrics:

	First Quarter (in thousands, except per share amounts)		Change	
	2010	2009		
Net revenue	\$169,130	\$140,378	\$28,752	20%
GAAP				
Gross Margin	43.6%	35.2%		
Operating Margin	15.8%	3.4%		
Net Income	\$21,026	\$ 5,919	\$15,107	255%
Earnings per diluted share	\$ 0.23	\$ 0.07	\$ 0.16	229%
Non-GAAP				
Gross Margin	44.1%	36.1%		
Operating Margin	20.9%	10.1%		
Net Income	\$27,432	\$13,249	\$14,183	107%
Earnings per diluted share	\$ 0.30	\$ 0.15	\$ 0.15	100%

* Cash and investments increased \$441.2 million to \$888.5 million, with cash flow from operations of \$61.2 million and free cash flow of \$40.8 million.

* Accounts receivable (net) decreased \$10.0 million from Q4 of fiscal 2009 to \$93.1 million, resulting in days sales outstanding of 50, a decrease of 13 days from Q4 of fiscal 2009.

* Inventory (net) increased \$7.1 million from Q4 of fiscal 2009 to \$86.0 million and represents 81 days of inventory, an increase of 2 days from Q4 of fiscal 2009.

Recent Business Highlights:

- * Lighting for Tomorrow Grand Prize Winner with the LR6-DR1000 recessed downlight.
- * Released the XLamp® XP-G, the industry’s brightest and highest-efficiency lighting-class LED.
- * Announced that Cree offers the most lighting-class LEDs for designing Energy Star® –compliant LED fixtures.
- * Completed a common stock offering of 12.65 million shares with net proceeds of \$434.2 million.
- * Announced plans to add 575 green jobs in North Carolina by the end of 2012.

Business Outlook:

For its second quarter of fiscal 2010 ending December 27, 2009, Cree targets revenue in a range of \$180 million to \$190 million with GAAP net income of \$21 million to \$23 million, or \$0.20 to \$0.22 per diluted share. Non-GAAP net income is targeted to increase quarter-over-quarter to \$29 million to \$32 million, or \$0.28 to \$0.30 per diluted share, based on an estimated 105 million diluted weighted average shares, which includes 12.65 million shares issued in our recent equity offering. Targeted non-GAAP earnings exclude expenses related to the amortization of acquired intangibles of \$0.02 per diluted share, and stock-based compensation expense of \$0.06 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 first quarter 2010 results and the fiscal second quarter 2010 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 — Overview" for webcast details. The call will be archived and available on the website through November 3, 2009.

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 Metrics," "Quarter ending September 27, 2009," at www.cree.com.

About Cree, Inc.

Cree is leading the LED lighting revolution and setting the stage to obsolete the incandescent light bulb through the use of energy-efficient, environmentally friendly LED lighting. Cree is a market-leading innovator of lighting-class LEDs, LED lighting, and semiconductor solutions for backlighting, wireless and power 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 radio-frequency/wireless devices. Cree solutions are driving improvements in applications such as general illumination, electronic signs and signals, variable-speed motors and wireless communications.

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, gains and losses 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, due to the complexity of our manufacturing processes and transition of production to larger wafers, we may experience production delays that preclude us from shipping sufficient quantities to meet customer orders or that result in higher production costs and lower margins; ongoing uncertainty in global economic conditions that could negatively affect product demand, collectability of receivables and other related matters as consumers and businesses may defer purchases or payments, or default on payments, in response to tighter credit and negative financial news; our ability to complete development and commercialization of products under development, such as our pipeline of brighter LED chips, LED components and LED lighting retrofit solutions; our ability to lower costs; increasing price competition in key markets; risks associated with the ramp-up of our production for our new products, as well as production at our Huizhou facility and subcontractors; 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 our recent acquisitions; 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 28, 2009, 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.

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Contact:

Raiford Garrabrant

Cree, Inc.

Director, Investor Relations

Ph: 919-287-7895

Fax: 919-313-5615

Email: investorrelations@cree.com

[Download Consolidated Statements of Income \(pdf\)](#)

[Download Consolidated Balance Sheets \(pdf\)](#)

[Download Non-GAAP Measures of Financial Performance \(pdf\)](#)

[Download Reconciliation of GAAP to Non-GAAP Measures \(pdf\)](#)