



April 19, 2011

Cree Reports Financial Results for the Third Quarter of Fiscal Year 2011

DURHAM, N.C., April 19, 2011 - Cree, Inc. (Nasdaq: CREE), a market leader in LED lighting, today announced revenue of \$219.2 million for its third quarter of fiscal 2011, ended March 27, 2011. This represents a 6% decrease compared to revenue of \$234.1 million reported for the third fiscal quarter last year and a 15% decrease compared to the second quarter of fiscal 2011. GAAP net income for the third quarter of \$18.9 million, or \$0.17 per diluted share, decreased 58% year-over-year compared to GAAP net income of \$44.6 million, or \$0.41 per diluted share, for the third quarter of fiscal 2010. On a non-GAAP basis, net income for the third quarter of fiscal 2011 of \$30.1 million, or \$0.27 per diluted share, decreased 41% year-over-year compared to non-GAAP net income for the third quarter of fiscal 2010 of \$51.3 million, or \$0.47 per diluted share.

"Q3 results were in-line with our revised lower targets for the quarter," stated Chuck Swoboda, Cree chairman and CEO. "The results reflect both our continued success in LED lighting and the challenges of managing the LED chip and components business through a business cycle with short lead-times and low order visibility. We continue to be a leader in LED lighting and remain confident we are on the right track as we look forward to further disrupting the market and leading the LED lighting revolution in the years ahead."

Q3 2011 Financial Metrics:

	Third Quarter (in thousands, except per share amounts and percentages)		Change	
	2011 (unaudited)	2010 (unaudited)		
Net revenue	\$219,168	\$234,083	(\$14,915)	(6%)
GAAP				
Gross Margin	41.7%	47.9%		
Operating Margin	9.0%	24.2%		
Net Income	\$18,881	\$44,630	(\$25,749)	(58%)
Earnings per diluted share	\$0.17	\$0.41	(\$0.24)	(59%)
Non-GAAP				
Gross Margin	42.4%	48.1%		
Operating Margin	14.9%	27.9%		
Net Income	\$30,064	\$51,317	(\$21,253)	(41%)
Earnings per diluted share	\$0.27	\$0.47	(\$0.20)	(43%)

- Cash and investments ended the quarter at \$1,073.1 million, which was a decrease of \$37.7 million from Q2 of fiscal 2011.
- Accounts receivable (net) decreased \$9.2 million from Q2 of fiscal 2011 to \$125.9 million, with days sales outstanding of 52, an increase of 5 days from Q2 of fiscal 2011.
- Inventory increased \$24.1 million from Q2 of fiscal 2011 to \$169.6 million and represents 119 days of inventory, an increase of 23 days from Q2 of fiscal 2011.

Recent Business Highlights:

- Signed a comprehensive, worldwide patent cross-license agreement with Osram GmbH designed to further accelerate the growth of the LED lighting market.
- Announced a two-year extension of the strategic agreement signed with Zumtobel Lighting GmbH in 2008.
- Introduced the Cree XLamp® MT-G LED, which is the first LED to deliver the performance required for high-output halogen retrofit applications such as 35 to 50 watt MR16 replacement bulbs.

- Released the Cree XLamp XM-L EasyWhite™ LED, which delivers a lower cost solution for 25 watt replacement lamps by combining the benefits of our unique color mixing technology in a single high output, small footprint package.
- Set a new industry benchmark for color rendering with the commercial release of the Cree LBR-30™ LED lamp.

Business Outlook:

For its fourth quarter of fiscal 2011 ending June 26, 2011, Cree targets revenue in a range of \$225 million to \$245 million with GAAP and non-GAAP gross margin targeted at 40% +/- . GAAP operating expenses are targeted to increase by approximately \$0.5 million to \$72 million, or \$61 million on a non-GAAP basis. The tax rate is targeted at 14% for fiscal Q4. GAAP net income is targeted at \$16 million to \$23 million, or \$0.15 to \$0.21 per diluted share. Non-GAAP net income is targeted in a range of \$28 million to \$35 million, or \$0.25 to \$0.31 per diluted share. The GAAP and non-GAAP net income targets are based on an estimated 110.5 million diluted weighted average shares. 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 \$0.08 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 2011 results and the fiscal fourth quarter 2011 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 3, 2011.

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, environmentally friendly LED lighting. Cree is a market-leading innovator of lighting-class LEDs, LED lighting, and semiconductor solutions for 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 systems.

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 is historically low for the revenue targets and our ability to forecast orders is limited; increasing price competition in key markets; the risk that we or our distributors 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, including production at our Huizhou facility that opened in 2010 and our entry into new business channels different from those in which we have historically operated; the risk that 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, infrastructure development or customer demand 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; 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; our ability to lower costs; 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 27, 2010, 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 EasyWhite and LBR-30 are trademarks, of Cree, Inc.

[Statements of income \(pdf\)](#)

[Balance sheets \(pdf\)](#)

[Non-GAAP disclaimer \(pdf\)](#)

[Non-GAAP/GAAP reconciliation \(pdf\)](#)

Media Contact:

Raiford Garrabrant

Cree, Inc.

Director, Investor Relations

919-407-7895

investorrelations@cree.com