



August 10, 2010

Cree Reports Record Revenue and Net Income for the Fourth Quarter and Fiscal Year 2010

Annual Revenue increased 53% to \$867 Million

Annual Net Income increased 402% to \$152 Million

DURHAM, N.C., August 10, 2010 – Cree, Inc. (Nasdaq: CREE), a market leader in LED lighting, today announced record revenue of \$264.6 million for its fourth quarter of fiscal 2010, ended June 27, 2010. This represents a 79% increase compared to revenue of \$148.1 million reported for the fourth fiscal quarter last year and a 13% increase compared to the third quarter of fiscal 2010. GAAP net income for the fourth quarter increased 445% year-over-year to \$52.8 million, or \$0.48 per diluted share, compared to GAAP net income of \$9.7 million, or \$0.11 per diluted share, for the fourth quarter of fiscal 2009. On a non-GAAP basis, net income for the fourth quarter of fiscal 2010 increased 268% year-over-year to \$60.1 million, or \$0.55 per diluted share, compared to non-GAAP net income for the fourth quarter of fiscal 2009 of \$16.3 million or \$0.18 per diluted share.

For fiscal year 2010, Cree reported revenue of \$867.3 million, which represents a 53% increase compared to revenue of \$567.3 million for fiscal 2009. GAAP net income increased 402% to \$152.3 million, or \$1.45 per diluted share, compared to \$30.3 million, or \$0.34 per diluted share for fiscal 2009. On a non-GAAP basis, net income for fiscal year 2010 increased 203% to \$179.2 million, or \$1.71 per diluted share, compared to \$59.2 million, or \$0.66 per diluted share, for fiscal 2009. Cree generated \$250.6 million of operating cash flow and \$81.9 million of free cash flow (cash flow from operations less capital expenditures) during fiscal 2010.

"Fiscal 2010 was a great year for Cree and the LED lighting revolution," stated Chuck Swoboda, Cree chairman and CEO. "We made good progress building momentum in our business and delivering on our four key objectives for the fiscal year. Entering fiscal 2011, we are focused on extending our leadership position while we build the scale, cost structure and channels to win in the market."

Q4 2010 Financial Metrics:

	Fourth Quarter (in thousands, except per share amounts and percentages)		Change	
	2010	2009		
Net revenue	\$264,599	\$148,110	\$116,489	79%
GAAP				
Gross Margin	49.5%	39.6%		
Operating Margin	25.9%	7.7%		
Net Income	\$52,848	\$9,695	\$43,153	445%
Earnings per diluted share	\$0.48	\$0.11	\$0.37	348%
Non-GAAP				
Gross Margin	49.9%	40.3%		
Operating Margin	29.6%	14.1%		
Net Income	\$60,120	\$16,336	\$43,784	268%
Earnings per diluted share	\$0.55	\$0.18	\$0.37	202%

* Cash and investments increased \$75.4 million from Q3 of fiscal 2010 to \$1,066.4 million.

* Cash flow from operations was \$94.9 million. Free cash flow (cash flow from operations less capital expenditures) was \$54.2 million as we spent \$40.8 million on capital expenditures to support our capacity expansion.

* Accounts receivable (net) decreased \$8.3 million from Q3 of fiscal 2010 to \$117.5 million, resulting in days sales outstanding of 40, a decrease of 8 days from Q3 of fiscal 2010.

* Inventory (net) increased \$5.2 million from Q3 of fiscal 2010 to \$112.2 million and represents 76 days of inventory, a decrease of 3 days from Q3 of fiscal 2010.

Recent Business Highlights:

- * Signed a comprehensive, worldwide patent cross-license agreement with Philips designed to further accelerate the growth of the LED lighting market
- * Set a new standard for LED fixtures by extending the warranty on Cree's family of fixture products to five years
- * Announced the Cree LR6-DR1000 downlight, a high-output six-inch downlight that features Cree TrueWhite® Technology and delivers 70 percent more light than the original LR6™ downlight
- * Announced the Cree LR24HE troffer, a new LED-based troffer that features Cree TrueWhite Technology and is the first indoor fixture known to deliver more than 100 lumens per watt fixture efficacy

Business Outlook:

For its first quarter of fiscal 2011 ending September 26, 2010, Cree targets revenue in a range of \$270 million to \$280 million with GAAP net income of \$52 million to \$56 million, or \$0.48 to \$0.51 per diluted share. Non-GAAP net income is targeted to increase quarter-over-quarter to a range of \$62 million to \$65 million, or \$0.56 to \$0.59 per diluted share, based on an estimated 110.2 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 \$0.06 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 fourth quarter 2010 results and the fiscal first 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 — Overview" for webcast details. The call will be archived and available on the website through August 24, 2010.

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 June 27, 2010", 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 radiofrequency/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 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 risks associated with the ramp-up of production of our new products, as well as production at our new Huizhou facility; the risk that, due to the complexity of our manufacturing processes, 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 tight 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 products; our ability to lower costs; increasing price competition in key markets; 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 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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[Download Consolidated Balance Sheets \(pdf\)](#)

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

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