



December 7, 2006

## **Cree Updates Financial Targets for the Second Quarter of Fiscal 2007**

DURHAM, NC, DECEMBER 7, 2006 – Cree, Inc. (Nasdaq: CREE), a market-leading innovator of semiconductors that enhance the value of solid-state lighting, power and communications products, today announced revised revenue and earnings targets for its fiscal second quarter ending December 24, 2006. Revenue targets have been reduced to a range of \$90 million to \$92 million due to lower sales of LED chip products. Earnings are targeted to be between \$0.12 and \$0.14 per diluted share, which includes a gain from the sale of marketable securities of approximately \$0.09 per diluted share.

- The targeted revenue range is lower than previously anticipated due to lower orders for LED chip products used in mobile phones and other products.
- The new component product lines, which include XLamp® products, are targeted to grow in line with our prior expectations.
- Gross margin for the quarter is targeted to be in a range of 34% to 35%. The decline in gross margin targets is attributable primarily to lower factory utilization associated with the decline in LED chip orders, increased pricing pressure for LED chips and higher startup costs related to the new product lines.
- Operating expenses are expected to be in line with previously targeted levels at approximately \$28 million for the quarter.
- The company will record a gain of approximately \$7 million, net of tax, from the sale of marketable securities during the quarter.
- Amortization of acquisition-related intangibles resulting from the acquisition of INTRINSIC Semiconductor is targeted to be \$340,000.

“The LED chip market remains challenging, particularly for our mid-brightness products in mobile applications,” stated Chuck Swoboda, Cree’s CEO and chairman. “Despite the slowdown in the LED chip business, we are pleased with the growth in new product sales from our recently introduced lighting class XLamp power LEDs and our ability to attract a global distributor such as Arrow Electronics. These are important steps in our long-term strategy of growing the company through increased sales of higher-value components. Based on our preliminary outlook for Q3, we target the LED chip business to be in a similar range as Q2 with incremental growth coming from the new product lines.”

The company plans to release final financial results for the second quarter of fiscal 2007 on January 18, 2007, and plans to hold a conference call and web broadcast at 5:00 p.m. U.S. EST that day to discuss the results.

### **About Cree, Inc.**

Cree is a market-leading innovator and manufacturer of semiconductors that enhance the value of solid-state lighting, power and communications products by significantly increasing their energy performance and efficiency. Key to Cree’s market advantage is its world-class materials expertise in silicon carbide (SiC) and gallium nitride (GaN) for chips and packaged devices that can handle more power in a smaller space while producing less heat than other available technologies, materials and products.

Cree drives its increased performance technology into multiple applications including exciting alternatives in brighter and more-tunable light for general illumination, backlighting for more-vivid displays, optimized power management for high-current, switch-mode power supplies and variable-speed motors, and more-effective wireless infrastructure for data and voice communications. Cree customers range from innovative lighting-fixtures makers to defense-related federal agencies.

Cree’s product families include blue and green LED chips, lighting LEDs in all colors, LED backlighting solutions, power-switching devices and radio-frequency/wireless devices. For additional information please refer to [www.cree.com](http://www.cree.com).

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 potential changes in demand; increasing price competition in key markets; our ability to complete development and commercialization of products under development, such as our pipeline of brighter LEDs; our ability to lower costs; the risk that, due to the complexity of our manufacturing processes, transition of production of larger wafers, and transition of our advanced device wafer fabrication to our new facility, 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; risks associated with the ramp-up of our production for our new 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; our ability to sublease the Sunnyvale facility; risks associated with our recent acquisition; risks associated with on-going litigation; and other factors discussed in our filings with the Securities and Exchange Commission, including our report on Form 10-K for the fiscal year ended June 25, 2006, 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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