



January 18, 2011

## Cree Reports Financial Results for the Second Quarter of Fiscal Year 2011

DURHAM, N.C., January 18, 2011 - Cree, Inc. (Nasdaq: CREE), a market leader in LED lighting, today announced revenue of \$257.0 million for its second quarter of fiscal 2011, ended December 26, 2010. This represents a 29% increase compared to revenue of \$199.5 million reported for the second fiscal quarter last year and a 4% decrease compared to the first quarter of fiscal 2011. GAAP net income for the second quarter increased 47% year-over-year to \$49.8 million, or \$0.45 per diluted share, compared to GAAP net income of \$33.8 million, or \$0.32 per diluted share, for the second quarter of fiscal 2010. On a non-GAAP basis, net income for the second quarter of fiscal 2011 increased 51% year-over-year to \$60.7 million, or \$0.55 per diluted share, compared to non-GAAP net income for the second quarter of fiscal 2010 of \$40.2 million, or \$0.38 per diluted share.

"Q2 results reflected continued growth in our LED lighting product line, but revenue and earnings were lower than our targets due primarily to lower sales to our LED component distributors in Asia," stated Chuck Swoboda, Cree chairman and CEO. "We are managing through an inventory correction in Asia in the near term, but the opportunity in LED lighting has not changed. Quarterly revenue increased 29% year-over-year and based on the market trends we are seeing, and the success of our own LED lighting business, we are more confident that we will see continued adoption of LED lighting over the next several years."

### Q2 2011 Financial Metrics:

	Second Quarter (in thousands, except per share amounts and percentages)		Change	
	2011	2010		
Net revenue	\$256,983	\$199,475	\$57,508	29%
<b>GAAP</b>				
Gross Margin	47.1%	47.2%		
Operating Margin	21.6%	23.1%		
Net Income	\$49,775	\$33,786	\$15,989	47%
Earnings per diluted share	\$0.45	\$0.32	\$0.13	41%
<b>Non-GAAP</b>				
Gross Margin	47.7%	47.5%		
Operating Margin	26.5%	27.6%		
Net Income	\$60,720	\$40,202	\$20,518	51%
Earnings per diluted share	\$0.55	\$0.38	\$0.17	45%

- Cash and investments increased \$12.0 million from Q1 of fiscal 2011 to \$1,110.8 million.
- Cash flow from operations was \$57.2 million. Free cash flow (cash flow from operations less capital expenditures) was (\$7.5) million as we spent \$64.7 million on capital expenditures.
- Accounts receivable (net) increased \$12.1 million from Q1 of fiscal 2011 to \$135.1 million, resulting in days sales outstanding of 47, an increase of 6 days from Q1 of fiscal 2011.
- Inventory increased \$19.6 million from Q1 of fiscal 2011 to \$145.5 million and represents 96 days of inventory, an increase of 14 days from Q1 of fiscal 2011.
- Effective tax rate for Q2 was 13.7% primarily due to the benefit from an extension of the R&D tax credit.

### Recent Business Highlights:

- Announced that Denny's Corporation has chosen energy-efficient LED lights from Cree as the preferred lighting standard for all its new and remodeled stores across the United States.

- Shattered LED industry performance standards with the release of the Cree XLamp® XM-L LED.
- Introduced the LED industry's first lighting-class LED array, the Cree XLamp CXA20, to accelerate indoor LED lighting.
- Released the XLamp XP-E High Efficiency White (HEW), the first high-power LEDs featuring Cree's new Direct Attach™ LED technology.

### **Business Outlook:**

For its third quarter of fiscal 2011 ending March 27, 2011, Cree targets revenue in a similar range as the second quarter at \$245 million to \$265 million due to seasonality and the on-going inventory correction in Asia. Q3 GAAP and non-GAAP gross margin is targeted at 46% +/- GAAP operating expenses are targeted to increase by approximately \$7 million to \$73 million, or \$62 million on a non-GAAP basis, due to increased spending to support new product development, 150mm qualification and additional sales and application resources. The tax rate is targeted at 21% for fiscal Q3. GAAP net income is targeted at \$32 million to \$40 million, or \$0.29 to \$0.36 per diluted share. Non-GAAP net income is targeted in a range of \$42 million to \$50 million, or \$0.38 to \$0.45 per diluted share, based on an estimated 110.6 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 \$0.07 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 second quarter 2011 results and the fiscal third 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](http://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 March 1st, 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](http://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](http://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; the risk that our distributors are not able to accurately anticipate demand from their end customers, which can result in increased inventory and reduced orders; 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 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 Direct Attach is a trademark, of Cree, Inc.

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

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

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

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

Contact:

Raiford Garrabrant

Cree, Inc.

Director, Investor Relations

Ph: 919-287-7895

Fax: 919-313-5615

Email: [investorrelations@cree.com](mailto:investorrelations@cree.com)