



January 19, 2010

Cree Reports Record Quarterly Revenue and Net Income for the Second Quarter of Fiscal Year 2010

Quarterly Revenue increased 35% year-over-year to \$199 Million Quarterly Net Income was \$33.8 Million

DURHAM, N.C., January 19, 2010 – Cree, Inc. (Nasdaq: CREE), a market leader in LED lighting, today announced record revenue of \$199.5 million for its second quarter of fiscal 2010, ended December 27, 2009. This represents a 35% increase compared to revenue of \$147.6 million reported for the second fiscal quarter last year and an 18% increase compared to the first quarter of fiscal 2010. GAAP net income for the second quarter increased 216% year-over-year to \$33.8 million, or \$0.32 per diluted share, compared to GAAP net income of \$10.7 million, or \$0.12 per diluted share, for the second quarter of fiscal 2009. On a non-GAAP basis, net income for the second quarter of fiscal 2010 increased 126% year-over-year to \$40.2 million, or \$0.38 per diluted share, compared to non-GAAP net income for the second quarter of fiscal 2009 of \$17.8 million or \$0.20 per diluted share.

"We continued to execute very well in Q2, as we delivered record revenue and net income," stated Chuck Swoboda, Cree chairman and CEO. "LED lighting adoption continues to gain momentum and our near term focus is on factory execution and capacity expansion. Our strong balance sheet further enhances our leadership position and supports our mission of leading the LED lighting revolution."

Q2 2010 Financial Metrics

	Second Quarter (in thousands, except per share amounts)		Change	
	2010	2009		
Net revenue	\$199,475	\$147,623	\$51,852	35%
GAAP				
Gross Margin	47.2%	38.3%		
Operating Margin	23.1%	7.8%		
Net Income	\$33,786	\$10,696	\$23,090	216%
Earnings per diluted share	\$0.32	\$0.12	\$0.20	167%
Non-GAAP				
Gross Margin	47.5%	38.9%		
Operating Margin	27.6%	14.0%		
Net Income	\$40,202	\$17,769	\$22,433	126%
Earnings per diluted share	\$0.38	\$ 0.20	\$0.18	90%

* Cash and investments increased \$65.6 million from Q1 of fiscal 2010 to \$954.1 million.

* Cash flow from operations was \$21.5 million. Free cash flow (cash flow from operations less capital expenditures) was (\$19.9) million as we spent \$41.4 million on capital expenditures.

* Accounts receivable (net) increased \$20.3 million from Q1 of fiscal 2010 to \$113.4 million, resulting in days sales outstanding of 51, an increase of 1 day from Q1 of fiscal 2010.

* Inventory (net) increased \$7.3 million from Q1 of fiscal 2010 to \$93.3 million and represents 80 days of inventory, a decrease of 1 day from Q1 of fiscal 2010.

Recent Business Highlights:

* Awarded \$39 million in tax credits as part of the American Recovery and Reinvestment Act to support our investment to build energy efficient LED lighting

* Announced that Cree LED lamps have been selected for an initial deployment in approximately 650 Walmart stores

* Set a new standard for indoor LED lighting with the XLamp® MX-6 LED, the industry's first lighting-class PLCC LED

- * Demonstrated an A-lamp LED light bulb with the highest lumen output and efficacy reported in the industry
- * Achieved industry-best reported R&D results of 186 lumens per watt from a white high-power LED
- * Purchased a facility for manufacturing expansion in Huizhou, China

Business Outlook:

For its third quarter of fiscal 2010 ending March 28, 2010, Cree targets revenue in a range of \$215 million to \$225 million with GAAP net income of \$37 million to \$40 million, or \$0.35 to \$0.37 per diluted share. Non-GAAP net income is targeted to increase quarter-over-quarter to \$44 million to \$47 million, or \$0.41 to \$0.44 per diluted share, based on an estimated 107.5 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 \$0.04 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 2010 results and the fiscal third 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 February 2, 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 December 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, 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 associated with the ramp-up of production of our new products, as well as production at our new Huizhou facility; 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 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 \(pdf\)](#)