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Cree Reports Financial Results for the Second Quarter of Fiscal Year 2008

DURHAM, N.C., JANUARY 22, 2008 – Cree, Inc. (Nasdaq: CREE), a market-leading innovator of semiconductors that enhance the value of solid-state lighting, power and communications products, today announced revenue of \$119 million for its fiscal second quarter ended December 30, 2007. This represents a 5% increase compared to the fiscal first quarter of 2008 and a 34% increase compared to revenue of \$88.8 million reported one year ago. GAAP net income for the second quarter was \$6.6 million, or \$0.08 per diluted share, compared to net income of \$16.5 million or \$0.21 per diluted share for the second quarter of fiscal 2007. Please note, the second quarter of fiscal year 2008 consisted of 14 weeks, compared to 13 weeks for the second quarter of fiscal year 2007.

The remainder of 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 that 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.

GAAP earnings of \$0.08 per diluted share includes certain expenses totaling \$5.6 million, net of tax, or \$0.06 per diluted share due to certain items. These items consist of amortization of acquired intangibles of \$0.04 per diluted share, stock-based compensation expense of \$0.3 per diluted share, and a one-time property tax gain of \$0.01 per diluted share. On a non-GAAP basis, adjusted to exclude these items, net income for the second quarter of fiscal 2008 was \$12.2 million, or \$0.14 per diluted share. On a non-GAAP basis, adjusted to exclude similar items as in fiscal 2008, as well as a gain on the sale of investments, net income for the second quarter of fiscal 2007 was \$7.2 million, or \$0.09 per diluted share.

"Q2 was a strong quarter for Cree, as we continued to execute our strategy and delivered revenue and earnings at the high end of our previously announced target range," stated Chuck Swoboda, Cree chairman and CEO. "The revenue growth was driven by higher LED sales, with XLamp® orders and shipments growing double digits sequentially as we were successful in bringing on-line additional XLamp capacity in China. Looking ahead, the global momentum for sustainable, energy-efficient lighting products continued to build with the passage of the new U.S. Energy bill, which will require the use of more-efficient lighting technology and should further accelerate the adoption of LEDs."

Recent Business Highlights:

* Revealed plans to convert all lighting at Cree's Durham headquarters and manufacturing facility to LED lighting. Energy usage for lighting has decreased by 48% in phase one of the conversion, and the results are available at www.ledworkplace.org. The combination of energy savings, reduced maintenance and disposal costs, and the environmental savings demonstrate that LED lighting is now a real alternative to traditional lighting solutions.

* Launched the Cree Solutions Providers network to offer customers a full range of LED lighting-system solutions and design assistance to help accelerate time to market and reduce product development costs.

* Announced that Ann Arbor, MI, will join Raleigh, NC, and Toronto in the growing LED City™ initiative. Ann Arbor plans to become the first U.S. city to convert 100 percent of its downtown streetlights to LED technology, and full implementation is projected to cut the city's public lighting energy use in half and reduce greenhouse gas emissions by 2,425 tons of CO₂ annually.

* Commercially released zero micropipe ZMP™ 100m, n-type silicon carbide (SiC) substrates. With this achievement, Cree reinforces its position as the world's leading manufacturer of SiC-based semiconductor materials.

Q2 2008 Financial Metrics:

* Gross margin increased to 35% of revenue from 31% in Q1.

* Cash flow from operations was \$35.1 million.

* Cash and investments increased \$29.4 million to \$361.9 million from Q1.

Business Outlook:

For its third quarter of fiscal 2008 ending March 30, 2008, which is comprised of 13 weeks, Cree targets revenue in a range of

\$120 million to \$125 million with GAAP earnings of \$0.07 to \$0.09 per diluted share and non-GAAP earnings of \$0.14 to \$0.16 per diluted share, based on an estimated 87.3 million diluted weighted average shares. Targeted non-GAAP earnings exclude expenses related to the amortization of acquired intangibles of \$3.1 million, net of tax, and stock based compensation expense of \$3.0 million, net of tax.

Cree will host a conference call at 5:00 p.m. Eastern time today to review the highlights of the fiscal second quarter 2008 results and the fiscal third quarter 2008 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 5, 2008.

Supplemental financial information, including the non-GAAP reconciliation discussed below, is available in the "Investor Relations" section of Cree's website, under "Financial Metrics," Quarter ending December 30, 2007.

About Cree, Inc.

Cree is a market-leading innovator and manufacturer of semiconductors and devices 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-fixture makers to defense-related federal agencies.

Cree's product families include blue and green LED chips, lighting LEDs, LEDs for backlighting, power-switching devices and radio-frequency/wireless devices. For additional product specifications please refer to www.cree.com.

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 our ability to complete development and commercialization of products under development, such as our pipeline of brighter LED chips and packaged products; our ability to lower costs; potential changes in demand; increasing price competition in key markets; the risk that, due to the complexity of our manufacturing processes and transition of production to larger wafers, 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, as well as production at our COTCO facility and subcontractors; 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 our recent acquisition; risks associated with ongoing 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 24, 2007, 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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