



August 7, 2007

Cree Reports Financial Results for the Fourth Quarter and Fiscal Year 2007

DURHAM, NC, August 7, 2007 – 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 \$111.2 million for its fiscal fourth quarter ended June 24, 2007. This represents a 23% increase compared to the fiscal third quarter and a 4% increase compared to revenue of \$106.7 million reported for the year ago period. GAAP net income for the fourth quarter was \$6.4 million, or \$0.08 per diluted share, compared to net income of \$13.2 million or \$0.17 per diluted share for the fourth quarter of 2006.

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 in accordance with GAAP, which are excluded from non-GAAP results based on management's determination that they are not directly reflective of on-going operations. The schedules attached to this press release include a reconciliation of the GAAP financial information to the non-GAAP results.

GAAP EPS of \$0.08 per diluted share includes a net expense of \$1.0 million or \$0.01 per diluted share due to certain items. These items consist of a gain from the sale of marketable securities of \$0.09 per diluted share, expenses related to the COTCO acquisition of \$0.07 per diluted share, stock-based compensation expense of \$0.02 per diluted share and certain tax adjustments that reduced earnings by \$0.01 per diluted share. On a non-GAAP basis, adjusted to exclude these items, net income for the fourth quarter of fiscal 2007 was \$7.4 million, or \$0.09 per diluted share. On a non-GAAP basis, adjusted to exclude similar items as in fiscal 2007, net income for the fourth quarter of fiscal 2006 was \$17.2 million, or \$0.22 per diluted share.

For fiscal year 2007, Cree reported revenue of \$394.1 million, which represents a 7% decrease compared to revenue of \$423.0 million for fiscal 2006. GAAP net income was \$57.3 million, or \$0.72 per diluted share, compared to \$76.7 million, or \$0.98 per diluted share for fiscal 2006. On a non-GAAP basis net income for fiscal year 2007 was \$35.4 million, or \$0.44 per diluted share, compared to \$83.2 million, or \$1.06 per diluted share, for fiscal 2006.

"Fiscal 2007 was a challenging but successful year for Cree as we made great strides in our transformation from an LED chip and SiC materials technology company into a components company positioned to lead the LED lighting revolution," stated Chuck Swoboda, Cree chairman and CEO. "In the fourth quarter, we again delivered financial results that were in line with our previously announced targets, and the COTCO integration is off to a good start. We believe the combination of growing XLamp® LED sales, our new high-brightness, packaged LED product line and a more stable LED chip business has put Cree in a strong position for growth in fiscal 2008."

Recent Business Highlights:

- * Completed the acquisition of COTCO, a leading supplier of high-brightness, packaged LEDs in China, for consideration valued at approximately \$204 million.
- * Announced commercial availability of XLamp LEDs with minimum luminous flux of 100 lumens at 350 mA, a performance increase of almost 70% in the last year. XLamp LEDs are the first LEDs to be available in volume with this level of performance.
- * Announced that Toronto is joining Raleigh, N.C. in a city-wide initiative to install LED lighting throughout its infrastructure. As part of the LED City™ program, Toronto intends to evaluate, deploy and promote the use of LEDs across multiple lighting applications because LEDs provide an energy-efficient, mercury-free solution helping to preserve the environment, while delivering more flexible and longer-lasting lighting than traditional lighting technologies.

Q4 Financial Metrics:

- * On a GAAP basis, gross margin was 29%. On a non-GAAP basis, gross margin was 32% of revenue and excludes \$0.5 million of stock-based compensation expense and the write-up of the acquired inventory as part of the COTCO purchase accounting, which resulted in an additional \$3.0 million of costs of goods sold during the fourth quarter.
- * Cash flow from operations was \$26.7 million.
- * Cash and investments equaled \$294.3 million.

Business Outlook:

For its first quarter of fiscal 2008 ending September 23, 2007, Cree currently targets revenue in a range of \$110 million to \$115 million with GAAP earnings of \$0.15 to \$0.18 per diluted share and non-GAAP earnings of \$0.09 to \$0.12 per diluted share. Non-GAAP earnings per diluted share exclude expenses related to the amortization of acquired intangibles, an expected

gain from the sale of marketable securities, stock-based compensation expense and the related tax effects.

Cree will host a conference call at 5:00 p.m. Eastern time today to review the highlights of the fourth quarter fiscal 2007 results and the first quarter fiscal 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 August 21, 2007.

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 June 24, 2007" at <http://www.cree.com/investor/metrics.htm>.

Non-GAAP Financial Measures

In addition to disclosing results determined in accordance with GAAP, Cree has determined to begin furnishing non-GAAP results of operations that exclude certain items. By disclosing this non-GAAP information, 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 operating 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.

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.

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; 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 on-going litigation; that the possibility that the pending acquisition of Color Kinetics by Philips may not be completed or may be delayed; 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.

Cree and XLamp are registered trademarks of Cree, Inc., and the COTCO logo is a registered trademark of COTCO Luminant Device Limited. LED City is a trademark of Cree, Inc.

Contact:
Raiford Garrabrant
Cree, Inc.
Director, Investor Relations
Ph: 919-287-7895
Fax: 919-313-5615

Email: raiford_garrabrant@cree.com

[Download Consolidated Statements of Income \(pdf\)](#)

[Download Consolidated Balance Sheets \(pdf\)](#)

[Download Reconciling Items to Q4 Financial Statements \(pdf\)](#)

[Download Reconciling Items to Twelve Months Financial Statements \(pdf\)](#)