



January 17, 2012

## Cree Reports Financial Results for the Second Quarter of Fiscal Year 2012

DURHAM, N.C., January 17, 2012 - Cree, Inc. (Nasdaq: CREE), a market leader in LED lighting, today announced revenue of \$304.1 million for its second quarter of fiscal 2012, ended December 25, 2011. This represents an 18% increase compared to revenue of \$257.0 million reported for the second quarter of fiscal 2011 and a 13% increase compared to the first quarter of fiscal 2012. GAAP net income for the second quarter of \$12.1 million, or \$0.10 per diluted share, decreased 76% year-over-year compared to GAAP net income of \$49.8 million, or \$0.45 per diluted share, for the second quarter of fiscal 2011. On a non-GAAP basis, net income for the second quarter of fiscal 2012 of \$28.7 million, or \$0.25 per diluted share, decreased 53% year-over-year compared to non-GAAP net income for the second quarter of fiscal 2011 of \$60.7 million, or \$0.55 per diluted share.

Financial results for the second fiscal quarter reflect the inclusion of Ruud Lighting for the entire period. Ruud Lighting was acquired in the first quarter of fiscal 2012 approximately one month before quarter-end.

"Our second quarter results demonstrated the strength in our expanded lighting product line with strong growth in sales of both indoor and outdoor products," stated Chuck Swoboda, Cree Chairman and CEO. "While the business environment remains challenging, our results demonstrate that our strategy is working. Our future business outlook remains very optimistic based on our belief that innovation drives payback, payback drives LED lighting adoption and adoption expands the market for both Cree and our customers."

### Q2 2012 Financial Metrics

(in thousands except per share amounts and percentages)

	Second Quarter		Change	
	2012	2011		
	(unaudited)	(unaudited)		
Net revenue	\$ 304,118	\$ 256,983	\$ 47,135	18 %
<b>GAAP</b>				
Gross Margin	34.6%	47.1%		
Operating Margin	4.0%	21.6%		
Net Income	\$ 12,078	\$ 49,775	\$ (37,697)	(76)%
Earnings per diluted share	\$ 0.10	\$ 0.45	\$ (0.35)	(78)%
<b>Non-GAAP</b>				
Gross Margin	35.3%	47.7%		
Operating Margin	10.3%	26.5%		
Net Income	\$ 28,665	\$ 60,720	\$ (32,055)	(53)%
Earnings per diluted share	\$ 0.25	\$ 0.55	\$ (0.30)	(55)%

- Cash and investments increased \$55.0 million from Q1 of fiscal 2012 to \$687.2 million.
- Accounts receivable (net) decreased \$9.3 million from Q1 of fiscal 2012 to \$156.4 million, with days sales outstanding of 46.
- Inventory decreased \$16.3 million from Q1 of fiscal 2012 to \$187.4 million and represents 85 days of inventory.

### Recent Business Highlights:

- Introduced the next generation XLamp<sup>®</sup> XB-D LED, which doubles lumens-per-dollar of lighting class LEDs;
- Introduced high-voltage XLamp XT-E and XM-L LEDs that enable the use of more efficient, smaller drivers to lower cost for compact lighting applications;
- Released the Cree LMH2 LED module family, which features Cree TrueWhite<sup>®</sup> Technology and delivers 80 lumens-per-watt system efficacy combined with CRI greater than 90;

- Licensed pioneering remote phosphor patents to five LED lighting manufacturers through its recently launched remote phosphor licensing program.
- Announced a 208,000 square-foot facility expansion at Cree's Ruud Lighting subsidiary in Racine, Wisconsin

### **Business Outlook:**

For its third quarter of fiscal 2012 ending March 25, 2012, Cree targets revenue in a range of \$290 million to \$310 million with GAAP gross margin targeted to be 34% to 35% and non-GAAP gross margin targeted to be 35% to 36%. Our GAAP gross margin targets include stock based compensation expense of approximately \$2.2 million, while our non-GAAP targets do not. Operating expenses are targeted to increase by approximately \$3 million to \$4 million on a GAAP and non-GAAP basis. The tax rate is targeted at 13.0% for fiscal Q3. GAAP net income is targeted at \$4 million to \$12 million, or \$0.04 to \$0.10 per diluted share. Non-GAAP net income is targeted in a range of \$21 million to \$29 million, or \$0.18 to \$0.25 per diluted share. The GAAP and non-GAAP net income targets are based on an estimated 116.4 million diluted weighted average shares. Targeted non-GAAP earnings exclude expenses related to the amortization of acquired intangibles of \$0.06 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 2012 results and the fiscal third quarter 2012 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 February 1, 2012.

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, mercury-free LED lighting. Cree is a market-leading innovator of lighting-class LEDs, LED lighting, and semiconductor products for power and radio frequency (RF) 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 RF devices. Cree products are driving improvements in applications such as general illumination, electronic signs and signals, power supplies and solar inverters.

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 the risk that we may not obtain sufficient orders to achieve our targeted revenues given that our current backlog has remained at relatively low levels for the revenue targets and our ability to forecast orders is limited; risks associated with our recent acquisition; increasing price competition in key markets; the risk that we or our distributors are not able to develop and expand customer bases and accurately anticipate demand from end customers, which can result in increased inventory and reduced orders as we experience wide fluctuations in supply and demand; the risk that our results will

suffer if we are unable to balance fluctuations in customer demand and capacity; risks associated with the ramp-up of production of our new products, and our entry into new business channels different from those in which we have historically operated; the risk that we may experience production difficulties that preclude us from shipping sufficient quantities to meet customer orders or that result in higher production costs and lower margins; our ability to lower costs; ongoing uncertainty in global economic conditions, infrastructure development or customer demand that could negatively affect product demand, collectibility of receivables and other related matters as consumers and businesses may defer purchases or payments, or default on payments; the risk we may be required to record a significant charge to earnings if our goodwill or amortizable assets become impaired; our ability to complete development and commercialization of products under development, such as our pipeline of improved LED chips, LED components and LED lighting 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 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 26, 2011, 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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[Statement of income \(pdf\)](#)

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

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

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