



April 22, 2008

## Cree Reports Financial Results for the Third Quarter of Fiscal Year 2008

DURHAM, N.C., APRIL 22, 2008 – Cree, Inc. (Nasdaq: CREE), a market-leading innovator of lighting-class LEDs, LED lighting retrofit solutions, and semiconductor solutions for backlighting, wireless and power applications, today announced revenue of \$125.0 million for its fiscal third quarter ended March 30, 2008. This represents a 5% increase compared to the fiscal second quarter of 2008 and a 38% increase compared to revenue of \$90.3 million reported for the third fiscal quarter last year. GAAP net income for the third quarter was \$5.7 million, or \$0.06 per diluted share, compared to net income of \$21.1 million or \$0.27 per diluted share for the third quarter of fiscal 2007. The acquisition of LED Lighting Fixtures, Inc., which closed during the quarter, increased revenue by \$0.7 million and reduced earnings by \$0.01 per diluted share.

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 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.



GAAP earnings of \$0.06 per diluted share includes expenses totaling \$6.4 million, net of tax, or \$0.07 per diluted share due to certain items. These items consist of amortization of acquired intangibles of \$0.04 per diluted share and stock-based compensation expense of \$0.03 per diluted share. On a non-GAAP basis, adjusted to exclude these items, net income for the third quarter of fiscal 2008 was \$12.0 million, or \$0.14 per diluted share. On a non-GAAP basis, adjusted to exclude similar items as in fiscal 2008 and a non-recurring tax benefit of \$0.22 per diluted share, net income for the third quarter of fiscal 2007 was \$4.7 million, or \$0.06 per diluted share.

"Cree's strategy to drive revenue growth by focusing on LED lighting continued to pay dividends in Q3, as we delivered financial performance that was in line with our previously announced guidance," stated Chuck Swoboda, Cree Chairman and CEO. "Revenue growth was led by higher sales of LED components, which exceeded sales of LED chips for the first time. In addition, we took another bold step in leading the LED lighting revolution with our acquisition of LED Lighting Fixtures, which positions us even better to drive the adoption of LED lighting going forward. For Q4, we target growth from XLamp® LEDs, high-brightness LED components and our new LED lighting solutions, all of which are benefitting from the rising demand for energy-efficient LED lighting."

### Recent Business Highlights:

\*Acquired LED Lighting Fixtures, which is recognized in the lighting industry as the first company to develop a viable, energy-efficient, "no-compromise" retrofit LED down light for general illumination. The acquisition:

- Expands Cree's market opportunity by providing direct access to the lighting market
- Enables Cree to drive retrofit solutions to convert existing lighting infrastructure to energy-efficient lighting and to accelerate the adoption of LED lighting
- Sets the stage for Cree to help obsolete the light bulb

\* Announced that Austin, TX, and the Tianjin Economic Development Area (TEDA) in China will join the growing LED City™ initiative. Austin plans to evaluate and deploy state-of-the-art LED lighting technology across its municipal infrastructure and is offering rebates that cover approximately 30 percent of the upfront cost of LEDs to help businesses explore the benefits of this new technology. The TEDA is the first city area in China to join the program and has partnered with Tianjin Polytechnic University to develop the expertise necessary to accelerate the adoption of LED lighting in China.

### Q3 2008 Financial Metrics:

\* Gross margin was 35% of revenue.

\* Cash flow from operations was \$5.5 million.

\* Cash and investments increased \$36.4 million to \$398.3 million from Q2.

**Business Outlook:**

For its fourth quarter of fiscal 2008 ending June 29, 2008, Cree targets revenue in a range of \$129 million to \$133 million with GAAP earnings of \$0.04 to \$0.06 per diluted share and non-GAAP earnings of \$0.12 to \$0.14 per diluted share, based on an estimated 91 million diluted weighted average shares. Targeted non-GAAP earnings exclude expenses related to the amortization of acquired intangibles of \$3.6 million, net of tax, and stock-based compensation expense of \$3.6 million, net of tax. Our GAAP and Non-GAAP earnings targets reflect approximately \$0.04 and \$0.03 per diluted share, respectively, representing expected lower interest income, higher patent litigation expense and the dilution resulting from our acquisition of LED Lighting Fixtures, Inc.

Cree will host a conference call at 5:00 p.m. Eastern time today to review the highlights of the fiscal third quarter 2008 results and the fiscal fourth 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](http://www.cree.com) and go to "Investor Relations — Overview" for webcast details. The call will be archived and available on the website through May 6, 2008.

**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 retrofit solutions, and semiconductor solutions for backlighting, wireless and power applications.

Cree's product families include 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, backlighting, electronic signs and signals, variable-speed motors, and wireless communications. For additional product specifications please refer to [www.cree.com](http://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, LED components and LED lighting retrofit solutions; 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 Huizhou 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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