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

DURHAM, N.C., October 18, 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 \$113.4 million for its fiscal first quarter ended September 23, 2007. This represents a 2% increase compared to the fiscal fourth quarter and a 9% increase compared to revenue of \$103.9 million reported one year ago. GAAP net income for the first quarter was \$12.7 million, or \$0.15 per diluted share, compared to net income of \$13.3 million or \$0.17 per diluted share for the first quarter of fiscal 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 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 EPS of \$0.15 per diluted share includes a benefit of \$3.9 million, net of tax, or \$0.05 per diluted share due to certain items. These items consist of a gain from the sale of marketable securities of \$0.12 per diluted share, offset by amortization of acquired intangibles of \$0.03 per diluted share, stock-based compensation expense of \$0.03 per diluted share and property tax expense adjustments of \$0.01 per diluted share. On a non-GAAP basis, adjusted to exclude these items, net income for the first quarter of fiscal 2008 was \$8.8 million, or \$0.10 per diluted share. On a non-GAAP basis, adjusted to exclude similar items as in fiscal 2008, net income for the first quarter of fiscal 2007 was \$15.6 million, or \$0.20 per diluted share.

"We got off to a good start in Q1, as Cree again delivered financial results that were in line with our previously announced targets," stated Chuck Swoboda, Cree chairman and CEO. "The LED business expanded both quarter-over-quarter and year-over-year, led by our XLamp® LED product line, and we made good strides increasing our capacity for these products during the quarter. Overall, we believe our strategy to increase sales by growing our LED component product lines while maintaining the current level of LED chip sales is on track. As we look ahead, we think our business will grow as the LED Lighting Revolution continues to gain momentum."

Recent Business Highlights:

* Announced plans to triple white XLamp LED manufacturing capacity by expanding production at our COTCO facility in China. This initiative is part of Cree's strategy to accelerate the adoption of LED lighting in China and to build momentum for the LED lighting revolution worldwide.

* Demonstrated continued leadership in the development of lighting-class LEDs by achieving light output of more than 1,000 lumens – an amount equivalent to the output of a standard household light bulb – from a single LED in our R&D labs.

* Achieved the highest announced efficacy from a high-power LED in R&D. The results, which have been verified by the National Institute of Standards (NIST), confirmed that the cool-white (5,813 K) LED achieved 129 lumens per watt efficacy and the warm white (2,950 K) LED achieved 99 lumens per watt efficacy.

* Expanded the existing patent cross license agreements with Nichia, and announced that Cree and Nichia have agreed to resolve any future patent disputes involving products of either company, or any affiliate in which it owns a controlling interest, through a process that eliminates any potential impact on customers.

Q1 Financial Metrics:

* Gross margin was 31% of revenue.

* Results included an investment gain of \$14.1 million, \$10.8 million net of tax, associated with Color Kinetics being acquired by Royal Philips Electronics.

* Cash flow from operations was \$25.6 million.

* Cash and investments increased \$38.2 million to \$332.5 million.

Business Outlook:

For its second quarter of fiscal 2008 ending December 30, 2007, Cree currently targets revenue in a range of \$115 million to \$119 million with GAAP earnings of \$0.03 to \$0.05 per diluted share and non-GAAP earnings of \$0.10 to \$0.12 per diluted share, based on 87 million diluted shares. Targeted non-GAAP earnings exclude expenses related to the amortization of acquired intangibles of \$3.0 million, net of tax, and stock-based compensation expense of \$3.3 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 first quarter 2008 results and the fiscal second 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 November 1, 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".

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; 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; 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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