



October 18, 2011

Cree Reports Financial Results for the First Quarter of Fiscal Year 2012

DURHAM, N.C., October 18, 2011 - Cree, Inc. (Nasdaq: CREE), a market leader in LED lighting, today announced revenue of \$269.0 million for its first quarter of fiscal 2012, ended September 25, 2011. This represents a 0.2% increase compared to revenue of \$268.4 million reported for the first fiscal quarter last year and a 11% increase compared to the fourth quarter of fiscal 2011. GAAP net income for the first quarter of \$12.8 million, or \$0.11 per diluted share, decreased 78% year-over-year compared to GAAP net income of \$58.0 million, or \$0.53 per diluted share, for the first quarter of fiscal 2011. On a non-GAAP basis, net income for the first quarter of fiscal 2012 of \$28.1 million, or \$0.25 per diluted share, decreased 58% year-over-year compared to non-GAAP net income for the first quarter of fiscal 2011 of \$66.3 million, or \$0.60 per diluted share.

Financial results for the quarter reflect the acquisition of Ruud Lighting on August 17, 2011, approximately one month before the end of the quarter.

"We got off to a good start in Q1 as results were in-line with our updated targets and our LED lighting and LED components product lines continued to grow," stated Chuck Swoboda, Cree chairman and CEO. "We also took the next step in our strategy to lead the LED lighting revolution with the acquisition of Ruud Lighting. Although we have seen tremendous growth in LED lighting sales over the last few years, it is clear that we have only scratched the surface of LED lighting adoption and there is growing demand for products that offer innovative solutions and good payback."

Q1 2012 Financial Metrics

(in thousands except per share amounts and percentages)

	First Quarter		Change	
	2012	2011		
	(unaudited)	(unaudited)		
Net revenue	\$ 268,980	\$ 268,437	\$ 543	— %
GAAP				
Gross Margin	36.4%	48.6%		
Operating Margin	5.0%	27.3%		
Net Income	\$ 12,819	\$ 58,036	\$ (45,217)	(78)%
Earnings per diluted share	0.11	0.53	\$ (0.42)	(79)%
Non-GAAP				
Gross Margin	37.4%	49.0%		
Operating Margin	12.2%	31.3%		
Net Income	\$ 28,058	\$ 66,283	\$ (38,225)	(58)%
Earnings per diluted share	\$ 0.25	\$ 0.60	\$ (0.35)	(58)%

- Cash and investments ended the quarter at \$632.2 million, which was a decrease of \$453.6 million from Q4 of fiscal 2011 due to the disbursement of \$457 million as part of the Ruud Lighting acquisition. Cash flow from operations was \$41.6 million.
- Accounts receivable (net) increased \$47.2 million from Q4 of fiscal 2011 to \$165.7 million, with days sales outstanding of 55. Ruud Lighting receivables were approximately \$22 million at the end of the quarter. Days sales outstanding would have been 50 if Ruud Lighting were part of Cree for the entire quarter.
- Inventory increased \$27.1 million from Q4 of fiscal 2011 to \$203.6 million and represents 107 days of inventory. Ruud Lighting inventory was approximately \$38 million at the end of the quarter. Days of inventory would have been 96 if Ruud Lighting were part of Cree for the entire quarter.

Recent Business Highlights:

- Acquired Ruud Lighting to accelerate LED lighting adoption and expand the market for LED components;
- Launched industry-leading TEMPO™ evaluation services to help lighting OEMs speed time-to-market and overcome design challenges;

- Introduced a new XLamp[®] XP-G that delivers up to 140 lumens per watt;
- Promoted Norbert Hiller to executive vice president for LEDs and Ty Mitchell to executive vice president for Lighting.

Business Outlook:

For its second quarter of fiscal 2012 ending December 25, 2011, Cree targets revenue in a range of \$300 million to \$320 million with GAAP and non-GAAP gross margin targeted to be in a similar range as Q1 at 37%-38%. GAAP operating expenses are targeted to increase by approximately \$10 million to \$95 million, or \$78 million on a non-GAAP basis. The increase in targeted operating expenses is primarily related to the addition of Ruud Lighting for an entire quarter. The tax rate is targeted at 21.5% for fiscal Q2. GAAP net income is targeted at \$13 million to \$18 million, or \$0.11 to \$0.15 per diluted share. Non-GAAP net income is targeted in a range of \$29 million to \$33 million, or \$0.25 to \$0.28 per diluted share. The GAAP and non-GAAP net income targets are based on an estimated 118 million diluted weighted average shares. Targeted non-GAAP earnings exclude expenses related to the amortization of acquired intangibles of \$0.04 per diluted share, stock-based compensation expense of \$0.09 per diluted share and the Ruud Lighting finished goods inventory step up of \$0.01 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 first quarter 2012 results and the fiscal second 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 and go to "Investor Relations - Financial Events and Presentations" for webcast details. The call will be archived and available on the website through November 1, 2011.

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.

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.

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, collectability of receivables and other related matters as consumers and businesses may defer purchases or payments, or default on payments; 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.

Cree, the Cree logo and XLamp are registered trademarks, and TEMPO is a trademark, of Cree, Inc.

[Statement of income \(pdf\)](#)

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

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

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