



August 11, 2005

Cree Reports Record Revenue and Earnings for Fiscal Year 2005

Fourth Quarter Sales Highest in Company History

DURHAM, NC, AUGUST 11, 2005 — Cree, Inc. (Nasdaq: CREE) today announced revenue for its fiscal 2005 of \$389,064,000, representing a 27 percent increase over the \$307,359,000 reported for the year ended June 27, 2004. Gross margin increased from 47 percent to 52 percent of revenue year-over-year and operating profit increased 51 percent to \$119,868,000, or 31% of revenue, as compared to \$79,349,000, or 26% of revenue, in fiscal 2004. Net income for the year rose 57 percent to \$91,143,000, or \$1.18 per share, compared to \$57,960,000, or \$0.77 per share, in fiscal 2004. For fiscal 2005, cash flow from operations was also a record at \$175,579,000.

For the fourth quarter of fiscal 2005, Cree reported revenue of \$98,883,000, an increase of 9% over the \$90,862,000 reported in the comparable prior year period. Gross margin was 51 percent of revenue for both the fourth quarter of fiscal 2005 and 2004. Operating profit was 25 percent of revenue for the three-month period ended June 26, 2005 and included approximately \$6.7 million in write-downs and expenses for the planned closure of the Cree Microwave California facility. Net income for the fourth quarter of fiscal 2005 was \$21,010,000, or \$0.27 per share, compared to \$20,985,000, or \$0.28 per share, as reported for the corresponding period in the prior year. The \$6.7 million in pre-tax charges for the planned closure of Cree Microwave's California facility, or \$4.6 million after tax were partly offset by favorable tax adjustments of \$2.9 million that resulted from a tax benefit associated with the company's investment in a public company and other tax adjustments. As a result, net income was reduced by \$1.7 million, or \$0.02 per share, for these adjustments during the three-month period ended June 26, 2005.

"We are delighted to report that Cree again delivered record revenue and earnings during fiscal 2005," stated Chuck Swoboda, Cree Chairman and CEO. "On top of finishing the year with our best quarter ever for revenue, recent sales data suggests that Cree's revenue grew faster than our top competitors in both Japan and Taiwan during the year. By continuing to introduce new products with industry-leading performance, Cree is positioned to capitalize on the excellent opportunities for growth in front of us. With over 85 percent of our Q1 sales target already booked, we believe the company is positioned for a strong start for fiscal year 2006."

Business Outlook:

For its first quarter of fiscal 2006, Cree currently targets revenue in a range of \$101 million to \$104 million with earnings of \$0.22 to \$0.24 per share, including \$0.04 per share for our estimates for the cost of expensing of stock options and other equity compensation and \$0.01 per share for severance costs associated with the wind down of Cree Microwave.

Cree will host a conference call at 5:00 p.m. Eastern time today to review the highlights of the fourth quarter fiscal 2005 results and the first quarter fiscal 2006 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 onto Cree's website at www.cree.com and go to "News & Investor—Overview" for webcast details. The call will be archived and available on the website through August 25th, 2005.

Supplemental financial information is available under "Q4 '05 Financial Metrics" in the "Investor Info" section of Cree's web site at www.cree.com/investor/metrics.htm.

About Cree, Inc.

Cree is an advanced semiconductor company that leverages its expertise in silicon carbide (SiC) and gallium nitride (GaN) materials technology to produce new and enabling semiconductors. The products include blue, green and near ultraviolet (UV) light emitting diodes (LEDs), packaged LEDs, power switching devices, and radio frequency (RF) and microwave devices. The Company is currently developing near UV lasers. Targeted applications for these products include solid-state illumination, power switching, wireless infrastructure and optical storage. Cree understands the important convergence of science, technology and creativity, placing high value on ideas, as well as the energy and ability of its people. For more information on Cree, please visit 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 LEDs; our ability to lower costs; potential changes in demand; the risk that, due to the complexity of our manufacturing processes and transition of production to three-inch 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 the wind-down of our Cree Microwave operations, including increases in cash expenditures related to the discontinuation of operations in Sunnyvale, California, Cree Microwave's ability to sublease the Sunnyvale facility, the amount of last-time buy orders and the time needed to fulfill such orders for silicon products, and the company's ability to complete the wind-down process by the end of calendar 2005 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 27, 2004 and subsequent reports filed with the SEC.

Cree and the Cree logo are registered trademarks of Cree, Inc.

Contact:

Raiford Garrabrant

Director, Investor Relations

Cree, Inc.

(P) 919-313-5342

(F) 919-313-5615

email: raiford_garrabrant@cree.com

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

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

[Download Operating Segment Information \(pdf\)](#)