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Cree Reports Record Revenue for the Fourth Quarter and Fiscal Year 2008

Annual Revenue Increased 25% to \$493 Million

DURHAM, N.C., August 12, 2008 – Cree, Inc. (Nasdaq: CREE), a market leader in LED lighting, today announced revenue of \$135.9 million for its fiscal fourth quarter ended June 29, 2008. This represents a 9% increase compared to the fiscal third quarter of 2008 and a 22% increase compared to revenue of \$111.2 million reported for the fourth fiscal quarter last year. GAAP net income for the fourth quarter was \$8.4 million, or \$0.09 per diluted share, compared to net income of \$6.4 million or \$0.08 per diluted share for the fourth 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 that 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 net income from continuing operations was \$0.07 per diluted share for the fourth quarter of fiscal 2008. This amount excludes a gain from discontinued operations of \$0.02 per diluted share and includes expenses totaling \$7.9 million, net of tax, or \$0.09 per diluted share related to amortization of acquired intangibles and stock-based compensation expense. On a non-GAAP basis, adjusted to exclude these items, net income from continuing operations for the fourth quarter of fiscal 2008 was \$14.5 million, or \$0.16 per diluted share. Included in non-GAAP earnings is a \$0.03 per diluted share benefit primarily due to a state franchise tax credit that reduced G&A for the quarter. Excluding this \$0.03 per diluted share benefit, non-GAAP earnings were consistent with the company's previously announced target range. On a non-GAAP basis, net income from continuing operations for the fourth quarter of fiscal 2007 was \$7.4 million, or \$0.09 per diluted share.

For fiscal year 2008, Cree reported revenue of \$493.3 million, which represents a 25% increase compared to revenue of \$394.1 million for fiscal 2007. GAAP net income was \$33.4 million, or \$0.38 per diluted share, compared to \$57.3 million, or \$0.72 per diluted share for fiscal 2007. On a non-GAAP basis net income for fiscal year 2008 was \$47.2 million, or \$0.54 per diluted share, compared to \$35.4 million, or \$0.44 per diluted share, for fiscal 2007.

"Q4 represented a strong finish to a very successful year," stated Chuck Swoboda, Cree chairman and CEO. "Revenue exceeded our previously announced guidance due to strong LED sales, which grew 11% sequentially and 27% from a year ago. We have executed our strategy to transform Cree into a broad-based LED company with chips, components and systems that are leading the LED lighting revolution. While we recognize that there is caution in the market about the global economic environment, we remain optimistic about the year ahead as the momentum continues to build for our new products and energy-efficient lighting."

Recent Business Highlights:

* Introduced several new LED lighting products:

- Announced a new version of the LR6 designed for 220V to 240V electrical systems to address Europe, Asia and other major markets.
- Released the LR4, a four-inch architectural recessed LED down light for new construction and renovation projects. The LR4 delivers up to 540 lumens of high-quality, dimmable light from less than 11 watts of power.
- Demonstrated the XLamp® MC-E LED at LIGHTFAIR International. The multi-chip LED retains the same footprint as Cree's existing XLamp XR family LEDs while providing four times the light output of the existing XR-E.
- Announced a new standard for lighting-class LEDs with the introduction of the XLamp XP-E and XP-C LEDs. These breakthrough LEDs have the smallest footprint in the industry for lighting-class LEDs—providing the same high-quality lighting performance and proven reliability as Cree XR-E and XR-C LEDs in an 80-percent smaller package.

* Cree's flagship LED recessed down light, the LR6, won a prestigious Silver International Design Excellence Award (IDEA) in the EcoDesign category. IDEA is one of the most prominent design competitions in the world, celebrating cutting-edge products and product concepts.

* Announced the LED University™ program with North Carolina State University, Marquette University, University of California at Santa Barbara, University of Arkansas and Tianjin Polytechnic University. Each of the participating universities is conducting LED lighting pilots to determine the cost and environmental benefits of switching to LED lighting in campus applications.

* Welcomed Anchorage, Alaska, into the LED City® program. Anchorage Mayor Mark Begich announced his city's participation in conjunction with an energy-related initiative for the retrofit of all 16,000 municipal roadway lights with high-efficiency LED fixtures.

* Entered into an agreement with Toyoda Gosei providing each company with access to the other's patents relating to LED chip and packaged LED technology.

Q4 2008 Financial Metrics:

* Gross margin was 34% of revenue.

* Inventory decreased \$3.2 million from Q3 to \$80.2 million and represents 80 days of inventory (DOI), a decrease of 12 days from Q3.

* Accounts receivable decreased \$1.2 million from Q3 to \$110.4 million, resulting in days sales outstanding of 73, a decrease of 7 days from Q3.

* Cash flow from operations was \$36.7 million.

* Cash and investments decreased \$27.3 million to \$371.0 million from Q3, as we used \$51.1 million to repurchase approximately 2 million shares at an average cost of \$25.96 per share.

Business Outlook:

For its first quarter of fiscal 2009 ending September 28, 2008, Cree targets revenue in a range of \$138 million to \$142 million with GAAP earnings of \$0.06 to \$0.08 per diluted share and non-GAAP earnings of \$0.13 to \$0.15 per diluted share, based on an estimated 89.5 million diluted weighted average shares. Targeted non-GAAP earnings exclude expenses related to the amortization of acquired intangibles of \$0.03 per diluted share and stock-based compensation expense of \$0.04 per diluted share.

Cree will host a conference call at 5:00 p.m. Eastern time today to review the highlights of the fiscal fourth quarter 2008 results and the fiscal first quarter 2009 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 August 26, 2008.

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 Metrics," "Quarter ending June 29, 2008," at www.cree.com.

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 solutions, and semiconductor solutions for wireless and power applications.

Cree's product families include recessed LED down lights, lighting-class power LEDs, high-brightness LEDs, blue and green LED chips, 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 and company information, 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, 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

acquisitions; 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 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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