



April 14, 2005

Cree Reports Financial Results for the Third Quarter of Fiscal Year 2005

Revenue of \$96.7 Million
Earnings Per Share of \$0.27

DURHAM, NC, APRIL 14, 2005 — Cree, Inc. (Nasdaq: CREE) today announced revenue of \$96,710,000 for the third quarter of fiscal 2005 which ended on March 27, 2005, representing a 25 percent increase over the Company's comparable year ago period revenue of \$77,223,000. Net income for the third quarter increased 37 percent to \$20,683,000, or \$0.27 per share, compared to \$15,089,000, or \$0.20 per share, as reported for the third quarter of fiscal 2004. Gross margin for the third quarter of fiscal 2005 was 53 percent of revenue and compares to 49 percent in the prior year period and 50 percent in the second quarter of fiscal 2005.

During the third quarter of fiscal 2005, net income included approximately \$25,000 of net adjustments for changes in estimates to the Company's sales return provision to better reflect product return history and tax adjustments that did not change reported earnings per share. The adjustments included a \$1.2 million after-tax benefit to gross profit related to the change recorded to the Company's sales return provision which increased third quarter gross margin by two percentage points. The sales return provision benefit was mostly offset by non-operating adjustments, which negatively impacted net income by \$1.2 million. The non-operating adjustments were related primarily to tax adjustments associated with the decline in the value of the Company's marketable securities and offset partly by a gain on the sale of a portion of these securities.

For the nine-month period ended March 27, 2005, Cree reported revenue of \$290,181,000, an increase of 34 percent over the \$216,497,000 reported for the comparable period in fiscal year 2004. Net income for the nine-month period rose 90 percent to \$70,132,000, or \$0.91 per share, compared to \$36,975,000, or \$0.49 per share, in the year ago period.

"The fact that our LED business grew sequentially in what is normally a seasonally down quarter for the industry is a testament to the strength of our product offering," stated Chuck Swoboda, Cree President and CEO. "As we enter the final quarter of our fiscal year, I believe that we are in a favorable competitive position. Based on current orders and customer forecasts, we are optimistic that our revenue should grow sequentially in the fourth quarter."

Today the Company also announced that as part of its ongoing stock buyback program, it had repurchased 1.45 million shares in the third quarter at an average price of \$24.32.

Business Outlook

For its fourth quarter of fiscal 2005, Cree currently targets revenue in a range of \$98 to \$102 million with earnings of \$0.25 to \$0.28 per share.

Cree will host a conference call at 5:00 p.m. Eastern time today to review the highlights of the third quarter fiscal 2005 results and the fourth quarter fiscal 2005 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 web site at www.cree.com and go to Investor Relations > Overview for webcast details. The call will be archived and available on the web site through April 28, 2005.

Supplemental financial information is available under "Q3 '05 Financial Metrics" in the Investor Relations 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), 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 price stability, improved operational efficiencies, and the favorable product mix we have experienced will not continue; 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 securities 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 27, 2004 and subsequent reports filed with the SEC.

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