

Conference Call Financial Metrics

(Unaudited)

	Quarter Ended			
	6/26/2005	3/27/2005	12/26/2004	9/26/2004
LEDS				
LED revenue	\$ 83,639,000	\$ 80,634,000	\$ 78,928,000	\$ 78,898,000
LED revenue % growth, sequentially	4%	2%	0%	9%
LED revenue - % by product:				
Standard	3%	3%	6%	6%
Mid-brightness	32%	31%	42%	39%
High-brightness	65%	66%	52%	55%
LED ASPs % change:				
Sequentially	-6%	6%	-18%	-1%
Change from year ago quarter	-18%	-15%	-18%	3%
ASP sequential % change without the shift to UT-230 mix	-	-	-7%	-
LED costs per unit % change:				
Sequentially	0%	-5%	-4%	-11%
Change from year ago quarter	-18%	-20%	-23%	-26%
LED unit shipments % change:				
Sequentially	10%	-4%	21%	10%
Change from year ago quarter	41%	53%	70%	51%
WAFER MATERIALS				
Wafer revenue	\$ 5,359,000	\$ 5,537,000	\$ 7,055,000	\$ 6,774,000
Gemstone material revenue	\$ 2,566,000	\$ 2,057,000	\$ 1,815,000	\$ 1,525,000
Wafer revenue- % change, sequentially	-3%	-22%	4%	24%
Wafer volume- % change, sequentially	-6%	-23%	-21%	38%
Wafer ASPs - % change, sequentially	3%	2%	32%	-10%
Wafer average cost- % change, sequentially	18%	-41%	19%	-10%
CONTRACTS				
Gross margin %	33%	22%	16%	20%
Rate or other adjustment (charge)- \$	\$ -	\$ -	\$ (79,000)	\$ (422,000)
License revenue	\$ -	\$ -	\$ -	\$ 337,000
Amount of contract funding recorded as an offset to R&D	\$ 1,220,000	\$ -	\$ -	\$ -
Amount of contract costs recorded as an R&D expense	\$ 1,475,000	\$ -	\$ -	\$ -
CREE MICROWAVE				
Gross profit- \$	\$ (2,521,000)	\$ (1,713,000)	\$ (1,637,000)	\$ (1,327,000)
Cost of sales adjustment (benefit)	\$ 651,000	\$ -	\$ (31,000)	\$ -
Impairment of Cree Microwave long-lived assets and severance	\$ 5,529,000	\$ -	\$ -	\$ -
Cree Microwave severance	\$ 519,000	\$ -	\$ -	\$ -
Estimated carrying value of Cree Microwave long-lived assets	\$ 707,000	\$ -	\$ -	\$ -
OTHER REVENUE				
Advanced device products	\$ 2,061,000	\$ 2,002,000	\$ 2,207,000	\$ 1,512,000
BALANCE SHEET/CASH FLOW /ADJUSTMENTS				
Increased payroll tax related to stock option exercises-Cost of sales	\$ -	\$ -	\$ 242,000	\$ -
Increased payroll tax related to stock option exercises-R&D	\$ -	\$ -	\$ 501,000	\$ -
Increased payroll tax related to stock option exercises-S,G&A	\$ -	\$ -	\$ 578,000	\$ -
Loss on disposal of property and equipment - \$	\$ 576,000	\$ 277,000	\$ 248,000	\$ 78,000
Increase in accounts receivable reserve	\$ 158,000	\$ 8,502,000	\$ 348,000	\$ (61,000)
Sales return reserve	\$ 9,635,000	\$ -	\$ -	\$ -
Deferred product asset account	\$ 1,678,000	\$ -	\$ -	\$ -
Decrease in LED revenue due to sales return and deferred revenue	\$ -	\$ 441,000	\$ -	\$ -
Increase in inventory due to wafer and LED work in process and finished goods	\$ -	\$ 3,100,000	\$ -	\$ -
Reclass of foreign currency provision	\$ -	\$ 111,000	\$ 122,000	\$ -
Reduction in cost of sales for sales return estimate	\$ -	\$ 1,630,000	\$ -	\$ -
Reduction in warranty reserve	\$ -	\$ 582,000	\$ -	\$ -
Sequential increase Sarbanes-Oxley 404 compliance expenses	\$ 296,000	\$ 88,000	\$ 463,000	\$ -
Reclass of patent amortization expense	\$ -	\$ 404,000	\$ -	\$ -
Accrual for D&O insurance reimbursement	\$ -	\$ -	\$ 1,177,000	\$ -
Gain (loss) on investments	\$ (197,000)	\$ 2,808,000	\$ (1,992,000)	\$ 118,000
Adjustment for interest expense	\$ -	\$ -	\$ 265,000	\$ -
Income tax expense adjustment public company investment	\$ (814,000)	\$ 4,126,000	\$ (7,900,000)	\$ -

Other tax expense (benefit)	\$ (2,092,000)	\$ (916,000)	\$ 1,900,000	\$ -
Cash proceeds from stock option and ESPP exercises	\$ -	\$ 665,000	\$ 43,900,000	\$ 4,309,000
Days Sales Outstanding	32	38	41	37
Value of stock repurchase	\$ -	\$ 35,300,000	\$ -	\$ -
Inventory Days on Hand	59	57	47	49
Operating cash flow benefit from stock option exercises	\$ 22,953,000	\$ -	\$ -	\$ -
Cash flow from operations - \$	\$ 66,313,000	\$ 16,630,000	\$ 38,880,000	\$ 53,756,000
CapEx spending \$	\$ 22,039,000	\$ 37,256,000	\$ 47,868,000	\$ 34,657,000
Free cash flow - \$ (cash flow from operations* less CapEx spending)	\$ 44,274,000	\$ (20,626,000)	\$ (8,988,000)	\$ 19,099,000

*Most directly comparable GAAP measure to free cash flow

Fiscal 2005 Year-End Metrics:

Revenue from Sumitomo	\$ 160,974,000
Sumitomo percentage of revenue	41%
Osram percentage of revenue	11%
Sales backlog as of 6/05	\$ 303,000,000
Sales backlog that will not ship in fiscal 2006	\$ 58,000,000
Unit Shipment change vs FY2004	53%
LED ASP change vs FY 2004	-13%
LED average cost change vs FY 2004	-21%