CREE, INC. CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)

| | Three Months Ended | | | | Six Months Ended | | | |
|-----------------------------------------------------|---------------------------|---------|----------------------|---------|----------------------|-------------|----------------------|---------|
| | December 26, 2010 | | December 27, 2009 | | December 26, 2010 | | December 27, 2009 | |
| | | (Unau | ıdited) | dited) | | (Unaudited) | | |
| Revenue, net | \$ | 256,983 | \$ | 199,475 | \$ | 525,420 | \$ | 368,605 |
| Cost of revenue, net | | 135,837 | | 105,405 | | 273,745 | | 200,757 |
| Gross profit | | 121,146 | | 94,070 | | 251,675 | | 167,848 |
| Gross margin percentage | | 47.1% | | 47.2% | | 47.9% | | 45.5% |
| Operating expenses: | | | | | | | | |
| Research and development | | 29,233 | | 19,325 | | 53,965 | | 39,499 |
| Sales, general and administrative | | 33,366 | | 25,560 | | 62,568 | | 49,173 |
| Amortization of acquisition related intangibles | | 2,706 | | 3,045 | | 5,412 | | 6,090 |
| Loss on disposal or impairment of long-lived assets | | 429 | | 110 | | 901 | | 403 |
| Total operating expenses | | 65,734 | , | 48,040 | | 122,846 | | 95,165 |
| Operating income | | 55,412 | | 46,030 | | 128,829 | | 72,683 |
| Operating income percentage | | 21.6% | | 23.1% | | 24.5% | | 19.7% |
| Non-operating income: | | | | | | | | |
| Interest and other non-operating income, net | | 2,233 | | 1,961 | | 4,187 | | 3,722 |
| Income from operations before income taxes | | 57,645 | | 47,991 | | 133,016 | | 76,405 |
| Income tax expense | | 7,870 | | 14,205 | | 25,205 | | 21,593 |
| Income from continuing operations | \$ | 49,775 | \$ | 33,786 | \$ | 107,811 | \$ | 54,812 |
| Net income | \$ | 49,775 | \$ | 33,786 | \$ | 107,811 | \$ | 54,812 |
| Diluted earnings per share: | | | | | | | | |
| Net income | \$ | 0.45 | \$ | 0.32 | \$ | 0.98 | \$ | 0.55 |
| Weighted average shares of common | | | | | | | | |
| stock outstanding, diluted | _ | 109,976 | | 106,607 | | 109,817 | | 99,836 |