

CREE, INC.
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	12/30/2007 (Unaudited)	12/24/2006 (Unaudited)	12/30/2007 (Unaudited)	12/24/2006 (Unaudited)
Product revenue	\$ 111,341	\$ 81,522	\$ 217,304	\$ 178,940
Contract revenue	7,658	7,268	15,081	13,760
Total revenue	<u>118,999</u>	<u>88,790</u>	<u>232,385</u>	<u>192,700</u>
Cost of product revenue	71,251	52,626	143,831	108,499
Cost of contract revenue	5,952	5,795	12,018	10,932
Total cost of revenue	<u>77,203</u>	<u>58,421</u>	<u>155,849</u>	<u>119,431</u>
Gross margin	41,796	30,369	76,536	73,269
Operating expenses:				
Research and development	14,901	14,287	27,678	28,653
Sales, general and administrative	18,211	12,576	36,373	24,522
Amortization of acquisition-related intangibles	4,048	341	8,096	341
Loss on disposal or impairment of long-lived assets	474	85	1,209	182
Total operating expenses	<u>37,634</u>	<u>27,289</u>	<u>73,356</u>	<u>53,698</u>
Operating income	4,162	3,080	3,180	19,571
Non-operating income:				
Gain on sale of investments, net	-	11,409	14,117	11,408
Other non-operating income	66	2	77	2
Interest income, net	4,516	3,980	8,232	7,846
Income from continuing operations before income taxes	<u>8,744</u>	<u>18,471</u>	<u>25,606</u>	<u>38,827</u>
Income tax expense	2,104	2,208	6,098	9,197
Net income from continuing operations	<u>6,640</u>	<u>16,263</u>	<u>19,508</u>	<u>29,630</u>
(Loss) income from discontinued operations, net of related tax effect	(20)	216	(174)	139
Net income	<u>\$ 6,620</u>	<u>\$ 16,479</u>	<u>\$ 19,334</u>	<u>\$ 29,769</u>
Diluted earnings per share:				
Income from continuing operations	\$ 0.08	\$ 0.21	\$ 0.22	\$ 0.38
(Loss) income from discontinued operations	\$ (0.00)	\$ 0.00	\$ (0.00)	\$ 0.00
Net income	<u>\$ 0.08</u>	<u>\$ 0.21</u>	<u>\$ 0.22</u>	<u>\$ 0.38</u>
Weighted average shares of common stock outstanding, basic	85,190	76,948	84,936	77,005
Weighted average shares of common stock outstanding, diluted	86,848	78,093	86,713	78,043