

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

	Three Months Ended		Twelve Months Ended	
	6/24/2007 (Unaudited)	6/25/2006	6/24/2007 (Unaudited)	6/25/2006
Product revenue	\$ 103,459	\$ 99,001	\$ 364,718	\$ 394,383
Contract revenue	7,709	7,705	29,403	28,569
Total revenue	<u>111,168</u>	<u>106,706</u>	<u>394,121</u>	<u>422,952</u>
Cost of product revenue	73,350	56,778	237,125	202,412
Cost of contract revenue	6,073	4,767	23,008	19,647
Total cost of revenue	<u>79,423</u>	<u>61,545</u>	<u>260,133</u>	<u>222,059</u>
Gross margin	31,745	45,161	133,988	200,893
Operating expenses:				
Research and development	14,564	13,961	58,836	54,871
Sales, general and administrative	15,471	11,365	53,105	44,760
Amortization of acquisition related intangibles	3,664	-	4,192	-
Loss on disposal or impairment of long-lived assets	1,170	1,513	1,199	2,421
Total operating expenses	<u>34,869</u>	<u>26,839</u>	<u>117,332</u>	<u>102,052</u>
Operating income	(3,124)	18,322	16,656	98,841
Non-operating income:				
Gain on investments in securities	7,822	-	19,233	583
Other non-operating income	244	1	238	46
Net interest income	3,140	4,116	14,984	12,893
Income from continuing operations before income taxes	<u>8,082</u>	<u>22,439</u>	<u>51,111</u>	<u>112,363</u>
Income tax (benefit) expense	1,566	10,061	918	32,404
Net income from continuing operations	<u>6,516</u>	<u>12,378</u>	<u>50,193</u>	<u>79,959</u>
Income (loss) from discontinued operations, net of related tax effect	(83)	866	7,141	(3,286)
Net income	<u>\$ 6,433</u>	<u>\$ 13,244</u>	<u>\$ 57,334</u>	<u>\$ 76,673</u>
Diluted earnings per share:				
Income from continuing operations	\$ 0.08	\$ 0.16	\$ 0.63	\$ 1.02
(Loss) income from discontinued operations	\$ (0.00)	\$ 0.01	\$ 0.09	\$ (0.04)
Net income	<u>\$ 0.08</u>	<u>\$ 0.17</u>	<u>\$ 0.72</u>	<u>\$ 0.98</u>
Weighted average shares of common stock outstanding, basic	83,815	77,049	78,560	76,270
Weighted average shares of common stock outstanding, diluted	84,929	78,978	79,496	78,207