

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

	<u>Three Months Ended</u>	
	<u>September</u>	<u>September</u>
	<u>26, 2010</u>	<u>27, 2009</u>
	(Unaudited)	
Revenue, net	\$ 268,437	\$ 169,130
Cost of revenue, net	<u>137,908</u>	<u>95,352</u>
Gross profit	130,529	73,778
Gross margin percentage	48.6%	43.6%
Operating expenses:		
Research and development	24,732	20,174
Sales, general and administrative	29,202	23,613
Amortization of acquisition related intangibles	2,706	3,045
Loss on disposal or impairment of long-lived assets	472	293
Total operating expenses	<u>57,112</u>	<u>47,125</u>
Operating income	73,417	26,653
Operating income percentage	27.3%	15.8%
Non-operating income:		
Realized Gain (Loss) on Investments	1	-
Other non-operating income (expense)	(63)	131
Interest and other non-operating income, net	2,016	1,630
Income from operations before income taxes	<u>75,371</u>	<u>28,414</u>
Income tax expense	17,335	7,388
Income from continuing operations	<u>\$ 58,036</u>	<u>\$ 21,026</u>
Net income	<u>\$ 58,036</u>	<u>\$ 21,026</u>
Diluted earnings per share:		
Net income	<u>\$ 0.53</u>	<u>\$ 0.23</u>
Weighted average shares of common stock outstanding, diluted	<u>109,617</u>	<u>92,730</u>