

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

	Three Months Ended		Nine Months Ended	
	3/25/2007 (Unaudited)	3/26/2006 (Unaudited)	3/25/2007 (Unaudited)	3/26/2006 (Unaudited)
Product revenue	\$ 82,318	\$ 100,781	\$ 261,258	\$ 295,859
Contract revenue	7,935	6,923	21,695	20,387
Total revenue	<u>90,253</u>	<u>107,704</u>	<u>282,953</u>	<u>316,246</u>
Cost of product revenue	55,279	50,946	163,778	145,634
Cost of contract revenue	6,002	5,423	16,934	14,880
Total cost of revenue	<u>61,281</u>	<u>56,369</u>	<u>180,712</u>	<u>160,514</u>
Gross profit	28,972	51,335	102,241	155,732
Operating expenses:				
Research and development	15,797	13,333	44,777	40,910
Sales, general and administrative	13,123	11,826	37,659	33,395
(Gain) loss on disposal or impairment of long-lived assets	(154)	208	28	908
Total operating expenses	<u>28,766</u>	<u>25,367</u>	<u>82,464</u>	<u>75,213</u>
Operating income	206	25,968	19,777	80,519
Non-operating income:				
Gain on investments in securities	3	-	11,411	587
Other non-operating income	(8)	38	(6)	41
Net interest income	3,998	3,482	11,844	8,777
Income from continuing operations before income taxes	<u>4,199</u>	<u>29,488</u>	<u>43,026</u>	<u>89,924</u>
Income tax (benefit) expense	(9,846)	5,194	(649)	22,342
Net income from continuing operations	<u>14,045</u>	<u>24,294</u>	<u>43,675</u>	<u>67,582</u>
Income (loss) from discontinued operations, net of related tax effect	7,085	(294)	7,224	(4,152)
Net income	<u>\$ 21,130</u>	<u>\$ 24,000</u>	<u>\$ 50,899</u>	<u>\$ 63,430</u>
Diluted earnings per share:				
Income from continuing operations	\$ 0.18	\$ 0.31	\$ 0.56	\$ 0.87
Loss from discontinued operations	\$ 0.09	\$ -	\$ 0.09	\$ (0.06)
Net income	<u>\$ 0.27</u>	<u>\$ 0.31</u>	<u>\$ 0.65</u>	<u>\$ 0.81</u>
Weighted average shares of common stock outstanding, basic	76,417	76,464	76,809	76,011
Weighted average shares of common stock outstanding, diluted	77,134	78,471	77,729	77,943