

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

	Three Months Ended		Years Ended	
	June 29, 2008	June 24, 2007	June 29, 2008	June 24, 2007
	(Unaudited)		(Unaudited)	
Product revenue	\$ 129,443	\$ 103,459	\$ 464,907	\$ 364,718
Contract revenue	6,482	7,709	28,389	29,403
Total revenue	<u>135,925</u>	<u>111,168</u>	<u>493,296</u>	<u>394,121</u>
Cost of product revenue	84,897	73,350	304,663	237,125
Cost of contract revenue	5,286	6,073	22,806	23,008
Total cost of revenue	<u>90,183</u>	<u>79,423</u>	<u>327,469</u>	<u>260,133</u>
Gross margin	45,742	31,745	165,827	133,988
Gross margin percentage	33.7%	28.6%	33.6%	34.0%
Operating expenses:				
Research and development	15,763	14,564	58,846	58,836
Sales, general and administrative	19,158	15,471	76,607	53,105
Amortization of acquisition-related intangibles	4,806	3,664	17,127	4,192
Loss on disposal and impairment of long-lived assets	719	1,170	1,206	1,199
Total operating expenses	<u>40,446</u>	<u>34,869</u>	<u>153,786</u>	<u>117,332</u>
Operating income	5,296	(3,124)	12,041	16,656
Operating income percentage	3.9%	-2.8%	2.4%	4.2%
Non-operating income:				
Gain on sale of investments, net	-	7,822	14,117	19,233
Interest and other non-operating income, net	2,699	3,384	14,891	15,222
Income from continuing operations before income taxes	<u>7,995</u>	<u>8,082</u>	<u>41,049</u>	<u>51,111</u>
Income tax expense	1,352	1,566	9,237	918
Net income from continuing operations	<u>6,643</u>	<u>6,516</u>	<u>31,812</u>	<u>50,193</u>
Income (loss) from discontinued operations, net of related tax effect	1,803	(83)	1,627	7,141
Net income	<u>\$ 8,446</u>	<u>\$ 6,433</u>	<u>\$ 33,439</u>	<u>\$ 57,334</u>
Diluted earnings per share:				
Income from continuing operations	\$ 0.07	\$ 0.08	\$ 0.36	\$ 0.63
Income (loss) from discontinued operations	\$ 0.02	\$ (0.00)	\$ 0.02	\$ 0.09
Net income	<u>\$ 0.09</u>	<u>\$ 0.08</u>	<u>\$ 0.38</u>	<u>\$ 0.72</u>
Weighted average shares of common stock outstanding, basic	88,380	83,815	86,366	78,560
Weighted average shares of common stock outstanding, diluted	89,615	84,929	88,077	79,496