

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

	Three Months Ended		Six Months Ended	
	12/24/2006 (Unaudited)	12/25/2005 (Unaudited)	12/24/2006 (Unaudited)	12/25/2005 (Unaudited)
Product revenue	\$ 81,522	\$ 98,775	\$ 178,940	\$ 195,078
Contract revenue	7,268	6,865	13,760	13,464
Total revenue	<u>88,790</u>	<u>105,640</u>	<u>192,700</u>	<u>208,542</u>
Cost of product revenue	52,626	48,387	108,499	94,688
Cost of contract revenue	5,795	5,023	10,932	9,457
Total cost of revenue	<u>58,421</u>	<u>53,410</u>	<u>119,431</u>	<u>104,145</u>
Gross profit	30,369	52,230	73,269	104,397
Operating expenses:				
Research and development	14,614	14,785	28,980	27,577
Sales, general and administrative	12,590	10,834	24,536	21,569
Impairment or loss on disposal of long-lived assets	85	132	182	700
Total operating expenses	<u>27,289</u>	<u>25,751</u>	<u>53,698</u>	<u>49,846</u>
Operating income	3,080	26,479	19,571	54,551
Non-operating income:				
Gain on investments in securities	11,409	-	11,408	587
Other non-operating income	2	-	2	3
Net interest income	3,980	2,969	7,846	5,295
Income from continuing operations before income taxes	<u>18,471</u>	<u>29,448</u>	<u>38,827</u>	<u>60,436</u>
Income tax expense	<u>2,208</u>	<u>9,390</u>	<u>9,197</u>	<u>17,149</u>
Net income from continuing operations	16,263	20,058	29,630	43,287
Income (loss) from discontinued operations, net of related tax effect	216	(2,349)	139	(3,858)
Net income	<u>\$ 16,479</u>	<u>\$ 17,709</u>	<u>\$ 29,769</u>	<u>\$ 39,429</u>
Diluted earnings per share:				
Income from continuing operations	\$ 0.21	\$ 0.26	\$ 0.38	\$ 0.56
Loss from discontinued operations	\$ -	\$ (0.03)	\$ -	\$ (0.05)
Net income	<u>\$ 0.21</u>	<u>\$ 0.23</u>	<u>\$ 0.38</u>	<u>\$ 0.51</u>
Weighted average shares of common stock outstanding, basic	76,948	75,966	77,005	75,784
Weighted average shares of common stock outstanding, diluted	78,093	77,612	78,043	77,675