

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

	Three Months Ended		Twelve Months Ended	
	6/26/2005 (Unaudited)	6/27/2004 (Unaudited)	6/26/2005 (Audited)	6/27/2004 (Audited)
Product revenue	\$ 94,380	\$ 82,792	\$ 367,371	\$ 280,412
Contract revenue	4,503	8,070	21,693	26,947
Total revenue	<u>98,883</u>	<u>90,862</u>	<u>389,064</u>	<u>307,359</u>
Cost of product revenue	45,005	38,237	168,264	139,076
Cost of contract revenue	3,011	6,206	16,614	22,342
Total cost of sales	<u>48,016</u>	<u>44,443</u>	<u>184,878</u>	<u>161,418</u>
Gross profit	50,867	46,419	204,186	145,941
Operating expenses:				
Research and development	9,654	9,522	42,764	36,510
Sales, general and administrative	9,814	7,048	34,326	29,066
Severance charges	519	-	519	-
Impairment or loss on disposal of property and equipment	6,105	790	6,709	1,016
Operating expenses	<u>26,092</u>	<u>17,360</u>	<u>84,318</u>	<u>66,592</u>
Income from operations	24,775	29,059	119,868	79,349
Non-operating income:				
Gain (loss) on investments in securities	(197)	-	737	-
Other non-operating income	3	1	8	519
Net interest income	1,695	946	5,387	3,725
Income before income taxes	<u>26,276</u>	<u>30,006</u>	<u>126,000</u>	<u>83,593</u>
Income tax expense	5,266	9,021	34,857	25,633
Net income	<u>\$ 21,010</u>	<u>\$ 20,985</u>	<u>\$ 91,143</u>	<u>\$ 57,960</u>
Earnings per share, diluted	<u>\$ 0.27</u>	<u>\$ 0.28</u>	<u>\$ 1.18</u>	<u>\$ 0.77</u>
Weighted average shares of common stock outstanding, basic	75,399	73,603	74,995	74,008
Weighted average shares of common stock outstanding, diluted	76,962	75,643	77,172	75,745