

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

	Three Months Ended	
	9/24/2006 (Unaudited)	9/25/2005 (Unaudited)
Product revenue	\$ 97,418	\$ 96,304
Contract revenue	6,492	6,598
Total revenue	<u>103,910</u>	<u>102,902</u>
Cost of product revenue	55,873	46,301
Cost of contract revenue	5,137	4,434
Total cost of revenue	<u>61,010</u>	<u>50,735</u>
Gross profit	42,900	52,167
Operating expenses:		
Research and development	14,366	12,792
Sales, general and administrative	11,946	10,735
Impairment or loss on disposal of long-lived assets	97	568
Total operating expenses	<u>26,409</u>	<u>24,095</u>
Operating income	16,491	28,072
Non-operating income:		
Gain (loss) on investments in securities	(1)	587
Other non-operating income	-	3
Net interest income	3,866	2,326
Income from continuing operations before income taxes	<u>20,356</u>	<u>30,988</u>
Income tax expense	6,989	7,759
Net income from continuing operations	<u>13,367</u>	<u>23,229</u>
Loss from discontinued operations, net of related tax benefit	(77)	(1,509)
Net income	<u>\$ 13,290</u>	<u>\$ 21,720</u>
Earnings per diluted share:		
From continuing operations	\$ 0.17	\$ 0.30
From discontinued operations	\$ -	\$ (0.02)
From net income	<u>\$ 0.17</u>	<u>\$ 0.28</u>
Weighted average shares of common stock outstanding, basic	77,061	75,601
Weighted average shares of common stock outstanding, diluted	78,039	77,558