

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

	<u>Three Months Ended</u>	
	<u>9/23/2007</u> <u>(Unaudited)</u>	<u>9/24/2006</u> <u>(Unaudited)</u>
Product revenue	\$ 105,963	\$ 97,418
Contract revenue	7,423	6,492
Total revenue	<u>113,386</u>	<u>103,910</u>
Cost of product revenue	72,580	55,873
Cost of contract revenue	6,066	5,137
Total cost of revenue	<u>78,646</u>	<u>61,010</u>
Gross margin	34,740	42,900
Operating expenses:		
Research and development	12,777	14,366
Sales, general and administrative	18,164	11,946
Amortization of acquisition related intangibles	4,048	-
Loss on disposal or impairment of long-lived assets	734	97
Total operating expenses	<u>35,723</u>	<u>26,409</u>
Operating (loss) income	(983)	16,491
Non-operating income:		
Gain (loss) on sale of investments, net	14,117	(1)
Other non-operating income	12	-
Interest income, net	3,715	3,866
Income from continuing operations before income taxes	<u>16,861</u>	<u>20,356</u>
Income tax expense	3,994	6,989
Net income from continuing operations	<u>12,867</u>	<u>13,367</u>
Loss from discontinued operations, net of related tax effect	<u>(154)</u>	<u>(77)</u>
Net income	<u>\$ 12,713</u>	<u>\$ 13,290</u>
Diluted earnings per share:		
Income from continuing operations	\$ 0.15	\$ 0.17
Loss from discontinued operations	\$ (0.00)	\$ (0.00)
Net income	<u>\$ 0.15</u>	<u>\$ 0.17</u>
Weighted average shares of common stock outstanding, basic	84,683	77,061
Weighted average shares of common stock outstanding, diluted	86,566	78,039