

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

	Three Months Ended		Year Ended	
	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
	(Unaudited)		(Unaudited)	
Product revenue	\$ 143,672	\$ 129,443	\$ 542,837	\$ 464,907
Contract revenue	4,438	6,482	18,836	28,389
Up-front license fees	-	-	5,582	-
Total revenue	<u>148,110</u>	<u>135,925</u>	<u>567,255</u>	<u>493,296</u>
Cost of product revenue	85,362	84,897	339,038	304,663
Cost of contract revenue	4,052	5,286	15,805	22,806
Up-front license fees	-	-	506	-
Total cost of revenue	<u>89,414</u>	<u>90,183</u>	<u>355,349</u>	<u>327,469</u>
Gross profit	58,696	45,742	211,906	165,827
Gross margin percentage	39.6%	33.7%	37.4%	33.6%
Operating expenses:				
Research and development	18,576	15,763	71,363	58,846
Sales, general and administrative	21,125	19,158	86,929	76,607
Amortization of acquisition-related intangibles	4,062	4,806	16,248	17,127
Loss on disposal or impairment of long-lived assets	3,471	719	6,776	1,206
Total operating expenses	<u>47,234</u>	<u>40,446</u>	<u>181,316</u>	<u>153,786</u>
Operating income	11,462	5,296	30,590	12,041
Operating income percentage	7.7%	3.9%	5.4%	2.4%
Non-operating income:				
Gain on sale of investments, net	-	-	78	14,117
Interest and other non-operating income, net	1,650	2,699	8,999	14,891
Income from continuing operations before income taxes	<u>13,112</u>	<u>7,995</u>	<u>39,667</u>	<u>41,049</u>
Income tax expense	3,277	1,352	9,017	9,237
Income from continuing operations	<u>9,835</u>	<u>6,643</u>	<u>30,650</u>	<u>31,812</u>
(Loss) income from discontinued operations, net of related tax effect	(140)	1,803	(325)	1,627
Net income	<u>\$ 9,695</u>	<u>\$ 8,446</u>	<u>\$ 30,325</u>	<u>\$ 33,439</u>
Diluted earnings per share:				
Income from continuing operations	\$ 0.11	\$ 0.07	\$ 0.34	\$ 0.36
(Loss) income from discontinued operations	\$ (0.00)	\$ 0.02	\$ (0.00)	\$ 0.02
Net income	<u>\$ 0.11</u>	<u>\$ 0.09</u>	<u>\$ 0.34</u>	<u>\$ 0.38</u>
Weighted average shares of common stock outstanding, diluted	<u>89,983</u>	<u>89,615</u>	<u>89,081</u>	<u>88,077</u>