

**CREE, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(in thousands, except per share amounts and percentages)  
(unaudited)

	<b>Three Months Ended</b>		<b>Year Ended</b>	
	<b>June 29, 2014</b>	<b>June 30, 2013</b>	<b>June 29, 2014</b>	<b>June 30, 2013</b>
Revenue, net	\$ 436,290	\$ 375,009	\$ 1,647,641	\$ 1,385,982
Cost of revenue, net	274,024	234,284	1,028,846	862,722
Gross profit	162,266	140,725	618,795	523,260
Gross margin percentage	37.2 %	37.5 %	37.6 %	37.8 %
Operating expenses:				
Research and development	48,577	39,365	181,382	155,889
Sales, general and administrative	70,871	61,696	268,460	236,581
Amortization or impairment of acquisition-related intangibles	10,188	7,715	31,988	30,823
Loss on disposal or impairment of long-lived assets	909	1,088	2,690	3,473
Total operating expenses	130,545	109,864	484,520	426,766
Operating income	31,721	30,861	134,275	96,494
Operating income percentage	7.3 %	8.2 %	8.1 %	7.0 %
Non-operating income, net	3,922	2,685	13,295	11,063
Income from operations before income taxes	35,643	33,546	147,570	107,557
Income tax expense	5,794	5,304	23,379	20,632
Net income	\$ 29,849	\$ 28,242	\$ 124,191	\$ 86,925
Diluted earnings per share	\$ 0.24	\$ 0.23	\$ 1.01	\$ 0.74
Shares used in diluted per share calculation	122,043	121,081	122,914	117,979