

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

	Three Months Ended		Nine Months Ended	
	3/27/2005 (Unaudited)	3/28/2004 (Unaudited)	3/27/2005 (Unaudited)	3/28/2004 (Unaudited)
Product revenue	\$ 91,236	\$ 71,493	\$ 272,990	\$ 197,620
Contract revenue	5,474	5,730	17,191	18,877
Total revenue	<u>96,710</u>	<u>77,223</u>	<u>290,181</u>	<u>216,497</u>
Cost of product revenue	41,210	33,992	123,224	100,838
Cost of contract revenue	4,260	5,021	13,604	16,136
Total cost of sales	<u>45,470</u>	<u>39,013</u>	<u>136,828</u>	<u>116,974</u>
Gross profit	51,240	38,210	153,353	99,523
Operating expenses:				
Research and development	11,505	10,481	33,144	26,988
Sales, general and administrative	9,025	7,210	24,512	22,019
Loss on disposal of property and equipment	277	80	603	226
Operating expenses	<u>20,807</u>	<u>17,771</u>	<u>58,259</u>	<u>49,233</u>
Income from operations	30,433	20,439	95,094	50,290
Non-operating income:				
Gain (loss) on investments in securities	2,808	(1)	935	-
Other non-operating income	-	488	4	518
Net interest income	1,404	942	3,691	2,779
Income before income taxes	<u>34,645</u>	<u>21,868</u>	<u>99,724</u>	<u>53,587</u>
Income tax expense	13,962	6,779	29,592	16,612
Net income	<u>\$ 20,683</u>	<u>\$ 15,089</u>	<u>\$ 70,132</u>	<u>\$ 36,975</u>
Earnings per share, diluted	<u>\$ 0.27</u>	<u>\$ 0.20</u>	<u>\$ 0.91</u>	<u>\$ 0.49</u>
Weighted average shares of common stock outstanding, basic	75,694	74,050	74,860	74,143
Weighted average shares of common stock outstanding, diluted	77,428	76,399	77,256	75,979