COHU

2000 Annual Report

Company Profile

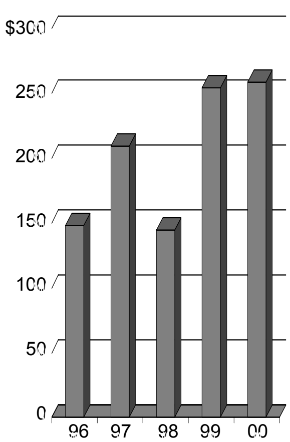
Cohu, Inc. (“Cohu”) is a leading supplier of test handling solutions used by the global semiconductor industry as well as a supplier of closed circuit television, metal detection and microwave radio equipment.

Financial Highlights

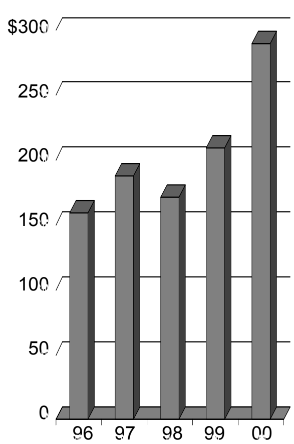
(in thousands, except per share data)

Operations:	**2000**	1999
Orders	**$ 258,632**	$ 253,571
Net sales	**289,564**	208,780
Income before cumulative effect of accounting change	**37,038**	25,926
Earnings per share before cumulative effect of accounting change:		
Basic	**1.83**	1.31
Diluted	**1.76**	1.26

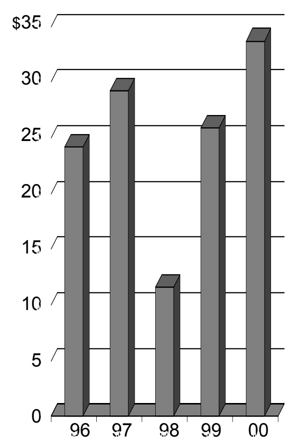
Balance Sheet:		
Cash, cash equivalents and short-term investments	**92,587**	81,600
Working capital	**160,583**	146,050
Total assets	**231,495**	220,733
Stockholders’ equity	**197,840**	162,356



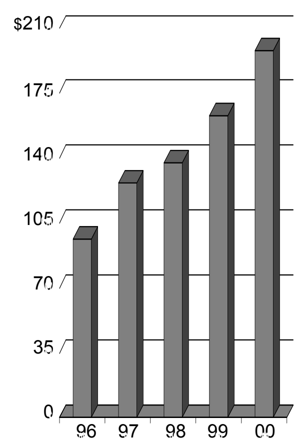
ORDERS
(In Millions)



SALES
(In Millions)



NET INCOME
(In Millions)



STOCKHOLDERS’ EQUITY
(In Millions)

Forward-Looking Statements

This Annual Report contains forward-looking statements, including expectations of market conditions, challenges and plans, within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and is subject to the Safe Harbor provisions created by that statute. The words “anticipate”, “expect”, “believe”, “plan” and similar expressions are intended to identify such statements that are subject to certain risks and uncertainties, including but not limited to those discussed under the caption “Business and Market Risks” beginning on page 11 of this Annual Report that could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

To Our Stockholders:

For Cohu, 2000 was a year of record accomplishments. Responding to strong demand for our products from semiconductor manufacturers, sales increased 39%, to a record \$289.6 million compared to \$208.8 in 1999. Income before cumulative effect of accounting change was a record \$37.0 million, or \$1.76 per share, compared to \$25.9 million, or \$1.26 per share, in 1999.

Orders were a record \$258.6 million compared to \$253.6 million in 1999. Sales of IC test handling equipment, by our Delta Design subsidiary, increased 43% from 1999 and accounted for 87% of total sales. Television cameras represented 9% of sales in 2000, while metal detection and microwave equipment contributed 4% of sales.

Dividends of \$4.0 million, or \$.20 per share, were paid in 2000, the 22nd consecutive year of cash dividend payments and the 14th consecutive year in which dividends were increased.

Consolidated international sales were \$181.8 million, compared to \$132.1 million in 1999. Semiconductor equipment sales were distributed 60% in Asia, 32% in North America, 2% in Europe and 6% to the rest of the world. The percentage of shipments to Southeast Asia has grown steadily, as IC manufacturers continue to expand IC test and assembly operations in that region. We support customers in Asia with our subsidiary operation in Singapore, and with technical support personnel deployed throughout the SE Asia region.

Cohu's Electronics Division, a leading U.S. designer and manufacturer of closed circuit television (CCTV) cameras and systems, also had record sales and orders in 2000. During the year, we won a major contract to supply CCTV cameras and related equipment to the Boston, Massachusetts Central Artery/Tunnel project. We believe this contract is among the largest traffic surveillance camera orders ever placed in North America and solidifies Cohu's position as a leader in traffic management video systems. In addition to sales of standard cameras to state and federal highway departments, Cohu is an OEM manufacturer of wide area detection products for traffic control. During 2000, we were selected to design and manufacture CCTV cameras for traveler information systems that integrate environmental monitors, road sensors and video for display on the internet and other media.

We began 2000 experiencing high growth in our IC test handling business and increased production of IC test handlers to near record levels early in the year. As the year progressed, orders and forecasts from our customers declined, and by the end of the year, it was clear that the semiconductor and semiconductor equipment industries, along with the technology sector in general, had weakened significantly. The downturn in the industry is reflected in our quarterly results, which peaked in Q2.

The semiconductor industry is in a period of accelerated change as many analysts predict that wireless communications and portable electronics will surpass PCs to become the primary drivers of semiconductor growth. These applications require electronics manufacturers to continually shrink the size of their products. As a result, semiconductor companies are developing new, smaller IC packages at the fastest rate in history. ICs, such as chip scale packages (CSPs), are highly efficient, as they are only slightly larger than the circuitry packaged inside. The test handler industry is being challenged to produce systems that can accommodate a wider variety of these new packages, at higher performance levels, at lower cost and with shorter lead times than ever before.

While these are formidable challenges, Cohu is in a strong position, with solid financials, leading products, experienced and highly capable engineers and a global infrastructure to meet the requirements of our multinational customers. During 2000 we focused on two new handler development programs. The 1888 gravity-feed handler is designed specifically for RF devices that require special handling to maximize yield from the test process. We shipped the first prototype unit of our new system for processing devices in non-singulated, or strip format. Handling devices in strips is an emerging technology that we believe will develop into a measurable market segment over the next several years.

Orders for Delta Design's newest pick-and-place handlers, Castle and Summit, reached record levels during 2000. In addition to its fast index time, Castle handlers incorporate a unique tray handling system that provides high input/output automation in an extremely small footprint, an important factor for IC manufacturers who must efficiently utilize production floorspace. Summit is the market leader in test handling of advanced microprocessors and other high-speed, high-power devices. Summit's innovative temperature control system improves yield by precisely controlling temperature rise of the IC during test.

In October 2000, we agreed to acquire a 338,000 square-foot office/manufacturing facility on approximately 20 acres of land in Poway, California. The purchase price of $21.3 million was funded from the Company's cash reserves. We plan on selling our facilities in San Diego, California and moving our corporate headquarters and the San Diego operations of our Delta Design subsidiary to the new facility in 2001. Poway is a suburb of San Diego, located approximately ten miles from our current San Diego location. The new facility will allow us to consolidate Delta's San Diego operations in one building and provide space for future growth.

Though the semiconductor equipment industry has grown rapidly, it has rarely been a smooth ride. Those familiar with this industry know that it has been cyclical, with periods of high growth, followed by sometimes steep declines. As a result, short-term forecasts in the semiconductor and semiconductor equipment industries are often subject to a great deal of uncertainty. However, with the increasing semiconductor content in a wide range of products, we believe the future is bright for Cohu, as we produce equipment which is an essential part of the semiconductor manufacturing process.

As we adjust operations to current conditions, we will balance our response against the need to be flexible enough to support our customers' requirements on a timely basis when conditions improve. We plan to continue our investments in new product development and focus on providing advanced, cost-effective solutions that enable IC manufacturers to reduce the cost of test, and that provide Cohu with a competitive advantage.

Finally, I wish to recognize the dedication and hard work of our outstanding employees, without whom we could not have achieved our record results.

Sincerely,

James A. Donahue
President & Chief Executive Officer
January 30, 2001

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

[X] **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended DECEMBER 31, 2000

OR

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 1-4298

COHU, INC
(Exact name of registrant as specified in its charter)

Delaware	**95-1934119**
(State or other jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
5755 Kearny Villa Road, San Diego, California	**92123**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(858) 541-5194**

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $1.00 par value
Preferred Stock Purchase Rights, $1.00 par value

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No __

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of voting stock held by nonaffiliates of the registrant was approximately $323,000,000 as of February 15, 2001. Shares of common stock held by each officer and director and by each person or group who owns 5% or more of the outstanding common stock have been excluded in that such persons or groups may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 15, 2001, the Registrant had 20,344,984 shares of its $1.00 par value common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates certain information by reference from the Proxy Statement for Cohu, Inc.'s 2001 Annual Meeting of Stockholders.

This Annual Report on Form 10-K contains certain forward-looking statements including expectations of market conditions, challenges and plans, within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and is subject to the Safe Harbor provisions created by that statute. The words "anticipate", "expect", "believe", "plan" and similar expressions are intended to identify such statements. Such statements are subject to certain risks and uncertainties, including but not limited to those discussed herein and, in particular, under the caption "Business and Market Risks" beginning on page 11 that could cause actual results to differ materially from those projected.

PART I

ITEM 1. BUSINESS

A predecessor of Cohu, Inc. ("Cohu" or the "Company") was incorporated under the laws of California in 1947 as Kalbfell Lab., Inc. and commenced active operations in the same year. Its name was changed to Kay Lab in 1954. In 1957 Cohu was reincorporated under the laws of the State of Delaware as Cohu Electronics, Inc. and in 1972 its name was changed to Cohu, Inc.

Cohu has two reportable segments as defined by FASB Statement No. 131, *Disclosures about Segments of an Enterprise and Related Information.* The semiconductor equipment segment, operated under Cohu's wholly owned subsidiary Delta Design, Inc., designs, manufactures and sells semiconductor test handling equipment to semiconductor manufacturers and semiconductor test subcontractors throughout the world. The television camera segment (the "Electronics Division") designs, manufactures and sells closed circuit television cameras and systems to original equipment manufacturers, contractors and government agencies. Cohu's other operating segments include Fisher Research Laboratory, Inc. ("FRL"), a metal detection business, and Broadcast Microwave Services, Inc. ("BMS"), a microwave radio equipment company.

Sales by segment, expressed as a percentage of total consolidated net sales, for the last three years were as follows:

	2000	1999	1998
Semiconductor equipment	87%	84%	80%
Television cameras	9	10	12
Other	4	6	8
	100%	100%	100%

Additional financial information on industry segments for each of the last three years is included on pages 9 (Selected Financial Data) and 25 (Note 9 to the Consolidated Financial Statements).

Semiconductor Equipment

Effective January 1, 2000, Cohu united its semiconductor equipment operations, Delta Design (San Diego, CA) and Daymarc (Littleton, MA) under the Delta Design name. Based on 1999 market data compiled by VLSI Research, Delta Design ("Delta") was the largest worldwide supplier of semiconductor test handling equipment. Delta designs, manufactures, markets and services a broad range of test handlers, capable of handling a variety of integrated circuit ("IC") packages. Test handlers are electromechanical systems, that are used to automate the IC final test process. Testing determines the quality and performance of the IC prior to shipment to customers. While testers are designed for specific IC types, such as microprocessor, logic, DRAM or mixed signal, handlers are engineered to process one or more of the various plastic or ceramic packages which protect the micro-circuitry and provide electrical connection to the printed circuit board or substrate.

Most test handlers use either gravity-feed or pick-and-place technologies to process ICs. Delta's product lines include both pick-and-place and gravity-feed handlers. The IC package type normally determines the appropriate handling approach. Because gravity-feed handling is simple, reliable and fast, it is the preferred technique for handling packages with leads on only two sides, including the dual-in-line ("DIP") and Small Outline ("SOIC"). ICs with leads on all four sides, such as the Quad Flat Pack and certain ICs with leads on two sides, such as the thin small outline package ("TSOP"), are predominately run in pick-and-place systems. In gravity-feed handlers, ICs are unloaded from plastic tubes or metal magazines at the top of the machine and flow through the system, from top to bottom, propelled along precision trackwork by the force of gravity. At the output of the handler, the ICs are sorted and reloaded into tubes or magazines for additional process steps or for shipment. In pick-and-place systems, ICs are picked from waffle-like trays, placed in precision transport boats or carriers and cycled through the system. ICs are sorted and reloaded into designated trays, based on test results.

As a significant portion of IC test is performed at hot and/or cold temperatures, many of Delta's test handlers are designed to provide a controlled test environment over the range of -60 degrees C to +160 degrees C. As semiconductor manufacturers continue to reduce the size of ICs while providing higher performance and speed, test handler manufacturers have faced the additional and substantial challenge of dissipating the large amounts of heat that are generated during the test process. This heat is capable of damaging or destroying the IC and can result in downgrading, when devices fail to operate at full specification during test. Device yields are extremely important and directly affect the profitability of the semiconductor manufacturer. In addition to temperature capability, other key factors in the design of test handlers are equipment speed, flexibility, parallel test capability and size.

Handlers are complex, electromechanical systems, which are used in high production environments and many are in service twenty-four hours per day, seven days a week. Customers continuously strive to increase the utilization of their production test equipment and expect high reliability from test handlers. The availability of trained technical support personnel is an important competitive factor in the marketplace. Delta deploys service engineers worldwide, often within customer production facilities, who work with customer personnel on continuous equipment improvement programs.

Equipment flexibility is important to semiconductor manufacturers and Delta's pick-and-place test handlers may be configured for a variety of semiconductor package types, through the use of tooling known as package dedication kits. Delta has a large installed base of pick-and-place test handlers, with over 2,500 systems installed at more than 130 locations worldwide.

The Delta Flex™, available in three models with various levels of automation, provides hot/cold test capability and broad versatility in IC package and media (tray or tube) handling. Through Delta's continuous product improvement process, the handler has been successfully adapted to meet the evolving needs of IC manufacturers.

The Model 2040, or RFS™, is a fast-index time pick-and-place handler, designed for high production applications. The handler's large environmental storage capacity enables uninterrupted operation in short test applications and parallel testing of up to eight devices. The RFS™ utilizes a patented contactor indexing mechanism to achieve an index time of approximately 500 milliseconds.

The Model 1688 is an ambient pick-and-place handler, which uses the same fast contactor indexing mechanism as the RFS™. The handler’s small footprint, combined with high speed and dependable operation, make the 1688 a highly cost effective solution for test applications where environmental capability is not required, such as the testing of chips for certain wireless products.

Delta’s Castle handlers incorporate an innovative vertical tray handling system which provides high input/output automation in an extremely small footprint. The system is available in both memory and logic configurations. Castle Mx32 provides parallel testing of up to thirty-two devices. Castle Lx offers the same small footprint as the Mx32.

Delta’s Summit handler is designed to meet the requirements of manufacturers of advanced microprocessors and other high speed, high power devices. Summit utilizes chilled fluid to control test temperatures and dissipate the considerable heat generated by these devices during test.

Delta manufactures four lines of gravity-feed test handlers: the 717 Series, 1888 Series, 3000 Series and 4000 Series.

The 717 Series test handlers accommodate SOIC packages. The small dimensions and high-speed applications of the SOIC package require a handler with minimal transition distances, high performance contacting and automation features to reduce the need for operator intervention. The 717 ambient and tri-temperature handlers provide index times as low as 350 and 500 milliseconds, respectively. The systems can be adapted to handle many different package types.

The 1888 Series test handler is designed to process small outline packages used in wireless applications and is designed specifically for the demanding requirements of RF device testing.

The 3000 Series handlers are designed for a wide range of gravity-feed devices, including DIPs and SOICs. These handlers may be configured to test 1-32 devices in parallel. The 3000 Series handlers provide tri-temperature operation and input/output automation for increased productivity.

The 4000 Series handlers combine high speed SOIC handling with multi-site capability. The 4100 is a fully automated, high-speed handler designed for high-volume, ambient test applications.

Delta is developing a test handler using an emerging technology known as test-on-strip. In pick-and-place and gravity-feed handlers, ICs are processed in singulated format, after they are excised from leadframes or laminate substrates. In test-on-strip, the ICs are tested on the leadframe or substrate before singulation, and are excised in a subsequent operation. Test-on-strip may provide advantages in some applications, such as when testing very small ICs and when testing multiple ICs simultaneously (parallel testing). We believe that test-on-strip will develop into a measurable segment of the market over the next several years.

Television Cameras

Cohu's Electronics Division has been a designer, manufacturer and seller of closed circuit television ("CCTV") cameras and systems for over 45 years. The customer base for these products is broadly distributed between machine vision, traffic control and management, scientific imaging and security/surveillance markets. The current product line represents a comprehensive array of indoor and outdoor CCTV cameras as well as camera control equipment. To support its camera products, the Electronics Division offers a wide selection of accessories including monitors, lenses and camera test equipment.

Other Businesses

FRL designs, manufactures and sells metal detectors and related underground detection devices for consumer and industrial markets. All products are sold under the Fisher M-Scope label. Industrial products include pipe and cable locators, water leak detectors, property marker locators and instruments for locating reinforcing bars in concrete. Consumer metal detectors include models for prospectors, relic hunters, sports divers and treasure hunters.

BMS designs, manufactures and sells microwave radio equipment, antenna systems and associated equipment. These products are used in the transmission of telemetry, data, video and audio signals. Customers include government test ranges, law enforcement agencies, unmanned air vehicle programs and television broadcasters.

Customers

Semiconductor Equipment

Our customers include semiconductor manufacturers and subcontractors ("test houses") that perform test services for IC manufacturers. Repeat sales to existing customers represent a significant portion of our sales in this business segment. We believe that our installed customer base represents a significant competitive advantage.

We rely on a limited number of customers for a substantial percentage of our net sales. In 2000 Intel, Texas Instruments and Motorola accounted for 26%, 12% and 10%, respectively, of our net sales. In 1999 Motorola and Texas Instruments accounted for 24% and 12%, respectively, of our net sales. In 1998 Motorola, Micron Technology and Intel accounted for 22%, 17% and 12%, respectively, of our net sales. The loss of or a significant reduction in orders by these or other significant customers, including reductions due to market, economic or competitive conditions or the outsourcing of final IC test to subcontractors that are not our customers would adversely affect our financial condition and results of operations.

Television Cameras and Other Businesses

Cohu's customer base in the television cameras industry segment is diverse and includes government agencies, original equipment manufacturers, contractors and value-added resellers throughout the world. No single customer of this segment accounted for 10% or more of our consolidated net sales in 2000, 1999 or 1998.

Our customer base in the other operating businesses (FRL and BMS) is also diverse and includes government agencies, original equipment manufacturers, contractors, distributors and consumers throughout the world. No single customer of either FRL or BMS accounted for 10% or more of our consolidated net sales in 2000, 1999 or 1998.

Contracts, including subcontract work, with U.S. Government agencies accounted for net sales of $2.0 million, $3.4 million and $4.7 million in 2000, 1999 and 1998, respectively. Such contracts are frequently subject to termination provisions at the convenience of the Government.

Marketing

We market our products worldwide through a combination of a direct sales force and independent sales representatives. In a geographic area where we believe there is sufficient sales potential, we maintain sales offices staffed with our own sales personnel. We maintain U.S. sales offices for the semiconductor equipment business in Santa Clara, California and Austin, Texas. In 1993, a foreign subsidiary was formed in Singapore to handle the sales and service requirements of semiconductor manufacturers located in Southeast Asia. In 1995 a branch of the Singapore sales and service subsidiary was opened in Taipei, Taiwan. Sales in Europe are derived primarily through independent sales representatives.

Competition

The semiconductor equipment industry is intensely competitive and is characterized by rapid technological change and demanding worldwide service requirements. Significant competitive factors include product performance, price and reliability, customer support and installed base of products. While, based on 1999 market data, we believe we were the largest worldwide supplier of semiconductor test handling equipment, we face substantial competition in the U.S. and throughout the world. The Japanese and Korean markets for test handling equipment are large and represent a significant percentage of the worldwide market. During the last five years our sales to Japanese and Korean customers, who have historically purchased test handling equipment from Asian suppliers, have represented less than five percent of our total sales. Some of our current and potential competitors have substantially greater financial, engineering, manufacturing and customer support capabilities and offer more extensive product offerings than Cohu. To remain competitive we believe we will require significant financial resources to offer a broad range of products, maintain customer support and service centers worldwide and to invest in research and development of new products. Failure to introduce new products in a timely manner or the introduction by competitors of products with perceived or actual advantages could result in a loss of competitive position and reduced sales of existing products. No assurance can be given that we will continue to compete successfully in the U.S. or throughout the world.

Our products in the television cameras segment and other businesses are sold in highly competitive markets throughout the world, where competition is on the basis of price, product integration with customer requirements, service and product quality and reliability. Many of our competitors are divisions or segments of large, diversified companies with substantially greater financial, engineering, marketing, manufacturing and customer support capabilities than Cohu. No assurance can be given that we will continue to compete successfully in these businesses.

Backlog

The dollar amount of our order backlog as of December 31, 2000 was $38.1 million ($50.9 adjusted for “SAB 101” accounting change) as compared to $72.9 million at December 31, 1999. Of these amounts, $28.4 million ($41.2 adjusted for SAB 101) ($62.3 million in 1999) was in semiconductor test handling equipment, $8.8 million ($8.8 million also in 1999) was in television cameras and $.9 million ($1.8 million in 1999) from FRL and BMS. Virtually all backlog is expected to be shipped within the next twelve months. Due to the possibility of customer changes in delivery schedules, cancellation of orders, potential delays in product shipments and the inability to recognize revenue under new accounting requirements, our backlog as of any point in time may not be representative of actual sales in any future period. All orders are subject to cancellation or rescheduling by the customer with limited penalty. There is no significant seasonal aspect to the business of Cohu.

Manufacturing and Raw Materials

Our manufacturing operations are currently located in San Diego, California (BMS, Delta Design and the Electronics Division), Littleton, Massachusetts (Delta Design) and Los Banos, California (FRL). Many of the components and subassemblies we utilize are standard products, although certain items are made to our specifications. Certain components are obtained or are available from a limited number of suppliers. We seek to reduce our dependence on sole and limited source suppliers, however in some cases the complete or partial loss of certain of these sources could adversely affect our operations while we attempted to locate and qualify replacement suppliers.

Patents and Trademarks

Cohu protects its proprietary technology through various intellectual property laws. However, we believe that, due to the rapid pace of technological change in the semiconductor equipment industry, the successful manufacture and sale of our products generally depend upon our experience, technological know-how, manufacturing and marketing skills and speed of response to sales opportunities, rather than on the legal protection afforded to any one or more items of intellectual property, such as patents, trademarks, copyrights and trade secrets. In the absence of patent protection we may be vulnerable to competitors who attempt to copy or imitate our products or processes. We believe our intellectual property has value (and includes trademark rights and trade names other than Cohu), and we have in the past and will in the future take actions we deem appropriate to protect such property from misappropriation, there can be no assurance such actions will provide meaningful protection from competition. Protecting our intellectual property rights or defending against claims brought by other holders of such rights, either directly against Cohu or against customers we have agreed to indemnify, would likely be expensive and time consuming and could have a material adverse effect on our operations.

Research and Development

Certain of the markets served by Cohu, particularly the semiconductor equipment industry, are characterized by rapid technological change. Research and development activities are carried on in the various subsidiaries and division of Cohu and are directed toward development of new products and equipment, as well as enhancements to existing products and equipment. Total research and development expenses were $32.6 million in 2000, $20.5 million in 1999 and $20.4 million in 1998. Total dollar expenditures have increased primarily due to increased spending for research and development in our semiconductor test handling equipment business. There was no significant customer-sponsored product development during these years.

We work closely with our key customers to make improvements to our existing products and in the development of new products. We expect to continue to invest heavily in research and development and must manage product transitions successfully as introductions of new products could adversely impact sales of existing products.

Environmental Laws

On occasion, Cohu is notified by local authorities of instances of noncompliance with local and/or state environmental laws. Compliance with federal, state and local laws which have been enacted or adopted regulating the discharge of materials into the environment or otherwise relating to the protection of the environment has not had a material effect and is not expected to have a material effect upon the capital expenditures, results of operations or competitive position of Cohu.

Employees

At December 31, 2000, we had approximately 1,300 employees. Our workforce declined approximately twenty percent in the first quarter of 2001 due to reductions as a result of a downturn in the semiconductor equipment industry. None of these employees are covered by collective bargaining agreements. We believe that a great part of our future success will depend on our continued ability to attract and retain qualified employees. Competition for the services of certain personnel, particularly those with technical skills, is intense. There can be no assurance that Cohu will be able to attract, hire, assimilate and retain a sufficient number of qualified employees.

ITEM 2. PROPERTIES

Certain information concerning Cohu's principal properties at December 31, 2000 identified by business segment is set forth below:

Location	Approximate Sq. Footage	Ownership
Poway, CA (1)	338,000 (5)	See below
Littleton, MA. (1)	102,000	Owned
San Diego, CA. (1)	52,000 (5)	Owned
San Diego, CA. (1)	52,000 (5)	Owned
San Diego, CA (1)	52,000 (5)	Owned
San Diego, CA. (1)	15,000	Leased
San Diego, CA. (2)	57,000	Leased
San Diego, CA. (3)	15,000	Leased
Los Banos, CA. (4)	23,000	Owned

(1) Semiconductor equipment
(2) Television cameras
(3) BMS
(4) FRL
(5) On October 27, 2000, Cohu entered into certain agreements with IPX Camelback, LLC ("IPX") under which it became obligated to acquire real property in Poway, California consisting of a 338,000 square-foot building and approximately twenty acres of land (the "Poway Facility"). The purchase price of $21.3 million was loaned by Cohu to IPX to facilitate its purchase of the Poway Facility. Pursuant to a lease and real estate purchase option agreement, Cohu has the option to acquire the Poway Facility from IPX for an amount of $21.3 million, as adjusted. If Cohu does not purchase the Poway Facility from IPX by July 3, 2001, IPX may sell the Poway Facility to another buyer. If the sale price received by IPX from another party is less than the outstanding loan balance between Cohu and IPX, Cohu is required to pay IPX the difference as liquidated damages. On October 27, 2000, Cohu entered into a six-month lease of the Poway Facility with IPX. A portion of the Poway Facility is currently occupied by an unrelated company under a two-year sublease agreement with Cohu. Cohu plans on selling the facilities occupied by Delta Design in San Diego, California, consisting of three buildings and related land, and twelve acres of land in Poway. Cohu plans on moving its corporate headquarters and the San Diego operations of Delta Design to the Poway Facility in 2001.

In addition to the locations listed above Cohu leases other properties for sales and service offices in various locations including Austin, Texas, Santa Clara, California, Singapore and Taipei, Taiwan. We believe our facilities are suitable for their respective uses and are adequate for our present needs.

ITEM 3. LEGAL PROCEEDINGS

Cohu is not presently a party to any material legal proceedings, other than ordinary routine litigation incidental to the business.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

Executive Officers and Significant Employees of the Registrant

The following sets forth the names, ages, positions and offices held by all executive officers and significant employees of Cohu as of February 15, 2001. Executive Officers serve at the discretion of the Board of Directors, until their successors are appointed.

Name	Age	Position
Executive Officers:		
James A. Donahue	52	President & Chief Executive Officer, Director
John H. Allen	49	Vice President, Finance & Chief Financial Officer, Secretary

Significant Employees:

James M. Brown	63	President, Cohu Electronics Division
Graham Bunney	45	President, BMS
Roger A. Cimino	53	President, FRL

Mr. Donahue has been employed by Delta Design since 1978 and has been President of Delta Design since May 1983. In May 1998, Mr. Donahue was promoted to President of the Cohu Semiconductor Equipment Group. In October 1999, Mr. Donahue was named to the position of President & Chief Operating Officer of Cohu, Inc. and was appointed to Cohu's Board of Directors. On June 30, 2000, Mr. Donahue was promoted to Chief Executive Officer.

Mr. Allen has been employed by Cohu since June 1995. He was Director of Finance until September 1995, became Vice President, Finance and Secretary in September 1995 and was appointed Chief Financial Officer in October 1995. Prior to joining Cohu, Mr. Allen held various positions with Ernst & Young LLP from 1976 until June 1995 and had been a partner with that firm since 1987.

Mr. Brown has been employed by the Cohu Electronics Division since 1980 and has been President of that division since 1983.

Mr. Bunney has been employed by BMS since 1985. Mr. Bunney was a project manager until June 1994, manufacturing manager from June 1994 through January 1996 and was promoted to President of BMS in January 1996.

Mr. Cimino has been employed by FRL since December 1998 and has been President of FRL since February 1999. Prior to joining FRL, Mr. Cimino held various positions with Cummins Engine Company, Inc. from 1989 until 1998 including Vice President and General Manager of the Cadec Systems subsidiary from 1993 to 1998.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(a) Market Information

Cohu, Inc. stock is traded on the Nasdaq Stock Market under the symbol "COHU".

The following table sets forth the high and low sales prices as reported on the Nasdaq Stock Market during the last two years.

	2000		1999	
	High	Low	High	Low
First Quarter	$61.75	$27.38	$17.22	$10.57
Second Quarter	50.00	26.19	18.13	11.25
Third Quarter	29.63	15.13	25.00	17.00
Fourth Quarter	17.88	12.63	31.75	16.50

(b) Holders

At December 31, 2000, Cohu had approximately 13,000 total stockholders including 1,170 holders of record.

(c) Dividends

Cohu declared cash dividends at the rate of $.05 per share per quarter in 2000 and $.045 per share per quarter in 1999.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with Cohu's consolidated financial statements and notes thereto and with Management's Discussion and Analysis of Financial Condition and Results of Operations, included elsewhere herein. Amounts in 2000 have been impacted by a change in accounting for revenue recognition for certain semiconductor equipment sales. Pro forma amounts showing the retroactive impact of the change in accounting for periods prior to 2000 could not be reasonably estimated and have not been provided.

Years Ended December 31,	2000	1999	1998	1997	1996
(in thousands, except per share data)					
Net sales:					
Semiconductor equipment	$250,548	$175,140	$136,323	$152,668	$126,236
Television cameras	27,111	21,330	21,001	23,553	22,298
Net sales for reportable segments	277,659	196,470	157,324	176,221	148,534
All other	11,905	12,310	14,187	11,535	10,819
Total consolidated net sales	$289,564	$208,780	$171,511	$187,756	$159,353
Operating profit (loss):					
Semiconductor equipment	$ 49,575	$ 35,715	$ 14,213	$ 41,167	$ 35,298
Television cameras	2,808	1,891	1,570	3,056	2,866
Operating profit for reportable segments	52,383	37,606	15,783	44,223	38,164
All other	(133)	(792)	(1,094)	159	145
Total consolidated operating profit	52,250	36,814	14,689	44,382	38,309
Other unallocated amounts:					
Corporate expenses	(1,654)	(1,871)	(955)	(1,337)	(1,273)
Interest income	5,731	4,271	3,469	2,999	1,960
Goodwill amortization and write-down	(289)	(288)	(1,157)	(157)	(157)
Income before income taxes	56,038	38,926	16,046	45,887	38,839
Provision for income taxes	19,000	13,000	4,400	16,700	14,600
Income before cumulative effect of accounting change	37,038	25,926	11,646	29,187	24,239
Cumulative effect of accounting change	(3,299)	–	–	–	–
Net income	$ 33,739	$ 25,926	$ 11,646	$ 29,187	$ 24,239
Income per share before cumulative effect of accounting change:					
Basic	$ 1.83	$ 1.31	$ .60	$ 1.55	$ 1.31
Diluted	1.76	1.26	.58	1.47	1.25
Net income per share:					
Basic	1.67	1.31	.60	1.55	1.31
Diluted	1.60	1.26	.58	1.47	1.25
Cash dividends per share, paid quarterly	$ .20	$ .18	$ .16	$ .12	$ .10
Depreciation and amortization deducted in arriving at operating profit:					
Semiconductor equipment	$ 2,454	$ 2,303	$ 1,953	$ 1,321	$ 833
Television cameras	374	468	424	420	410
All other	468	235	265	250	253
	3,296	3,006	2,642	1,991	1,496
Goodwill amortization	289	288	157	157	157
	$ 3,585	$ 3,294	$ 2,799	$ 2,148	$ 1,653
Capital expenditures:					
Semiconductor equipment	$ 24,021	$ 1,828	$ 1,356	$ 3,513	$ 3,586
Television cameras	155	452	162	341	294
All other	221	129	208	275	1,256
	$ 24,397	$ 2,409	$ 1,726	$ 4,129	$ 5,136

At December 31,	2000	1999	1998	1997	1996
Total assets by segment:					
Semiconductor equipment	$110,612	$115,671	$ 50,754	$ 79,978	$ 39,981
Television cameras	10,951	11,758	8,728	10,696	10,573
Total assets for reportable segments	121,563	127,429	59,482	90,674	50,554
All other operating segments	6,477	5,419	7,537	8,307	7,449
Corporate	103,455	87,885	95,212	63,911	59,923
Total consolidated assets	$231,495	$220,733	$162,231	$162,892	$117,926
Working capital	$160,583	$146,050	$120,143	$106,201	$ 78,003
Stockholders' equity	197,840	162,356	137,463	126,211	96,272

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Cohu’s primary business activity involves the development, manufacture, marketing and servicing of test handling equipment for the global semiconductor industry. Demand for Cohu’s products can change significantly from period to period as a result of numerous factors including, but not limited to, changes in global economic conditions, supply and demand for semiconductors, changes in semiconductor manufacturing capacity and processes and competitive product offerings. Due to these and other factors, Cohu’s results of operations for the period 1998 to 2000 may not be indicative of future operating results. Certain matters discussed below, including expectations of market conditions, challenges and plans, are forward-looking statements that are subject to the risks and uncertainties noted herein. Such risks and uncertainties could cause actual results to differ materially from those projected.

2000 Compared to 1999

Net sales increased 39% to $289.6 million in 2000 compared to net sales of $208.8 million in 1999. Sales of semiconductor equipment in 2000 increased 43% compared to 1999 and accounted for 87% of consolidated net sales in 2000 versus 84% in 1999. In 2000 sales of television cameras accounted for 9% of sales while the combined sales of metal detection and microwave radio equipment contributed 4% of sales. Export sales accounted for 63% of net sales in 2000 and 1999.

In the fourth quarter of 2000, Cohu changed its method of accounting for revenue recognition to comply with SEC Staff Accounting Bulletin No. 101 (“SAB 101”). In accordance with SAB 101, the new method of accounting has been applied retroactively to transactions that occurred prior to 2000. The cumulative effect adjustment of the change in accounting on prior years through December 31, 1999 was a reduction to income of $3.3 million (after credit for income taxes of $1.7 million) and is included in income for the year ended December 31, 2000. Revenue amounting to $9.0 million that was previously recognized and included in the cumulative effect adjustment at December 31, 1999 was recognized in 2000. The discussion below compares 2000 results of operations adjusted for the impact of SAB 101 to 1999 results that do not reflect the application of SAB 101.

Gross margin as a percentage of net sales decreased to 38.9% in 2000 versus 39.3% in 1999. Within the semiconductor equipment segment, margins decreased in 2000 primarily as a result of changes in product mix, increased electricity costs and increased provisions for excess inventory offset by the impact of increased business volume. Research and development expense as a percentage of net sales was 11.2% in 2000 compared to 9.8% in 1999, increasing in absolute dollars from $20.5 million in 1999 to $32.6 million in 2000. The increase in research and development expense was the result of new product development initiatives in the semiconductor equipment business. Selling, general and administrative expense as a percentage of net sales decreased to 10.3% in 2000 from 12.9% in 1999 primarily as a result of increased business volume. Interest income increased to $5.7 million in 2000 from $4.3 million in 1999 primarily as a result of increases in average cash and investments and interest rates. The provision for income taxes expressed as a percentage of pretax income was 33.9% in 2000 versus 33.4% in 1999. The provisions are less than the U.S. federal statutory rate due to foreign sales corporation benefits.

1999 Compared to 1998

Net sales increased 22% to $208.8 million in 1999 compared to net sales of $171.5 million in 1998. Sales of semiconductor equipment in 1999 increased 28% compared to 1998 and accounted for 84% of consolidated net sales in 1999 versus 80% in 1998. In 1999, sales of television cameras accounted for 10% of sales while the combined sales of metal detection and microwave radio equipment contributed 6% of sales. Export sales accounted for 63% of net sales in 1999 compared to 44% in 1998.

During 1999, we shipped a significant number of our new Summit test handlers. At December 31, 1999 the Summit handlers had not met certain customer acceptance requirements and revenue on these shipments was recognized in 2000 upon customer acceptance. Customer payments received on these shipments totaling approximately $18.5 million at December 31, 1999 were recorded as customer advances in the consolidated balance sheet.

Gross margin as a percentage of net sales increased to 39.3% in 1999 versus 32.1% in 1998. Within the semiconductor equipment segment, margins increased in 1999 primarily as a result of changes in product mix and increased business volume. The gross margin in 1998 was adversely impacted by lower margins on sales of our Enterprise test handlers and provisions for excess and obsolete inventories. Research and development expense as a percentage of net sales was 9.8% in 1999 compared to 11.9% in 1998, increasing in absolute dollars from $20.4 million in 1998 to $20.5 million in 1999. Selling, general and administrative expense as a percentage of net sales increased to 12.9% in 1999 from 12.3% in 1998 primarily as a result of increases in bad debt, commission and incentive compensation expense. Interest income increased to $4.3 million in 1999 from $3.5 million in 1998 primarily as a result of an increase in average cash and investments. The provision for income taxes expressed as a percentage of pretax income was 33.4% in 1999 vs. 27.4% in 1998. The effective tax rate in 1998 was favorably affected by the settlement of tax examinations for earlier years.

LIQUIDITY AND CAPITAL RESOURCES

Cohu's net cash flows provided from operating activities in 2000 totaled $35.7 million. The major components of cash flows provided from operating activities were net income of $33.7 million and decreases in accounts receivable and inventories of $15.1 million and $9.6 million, respectively, offset by decreases in accounts payable and customer advances of $5.4 million and $17.7 million, respectively. The decreases in accounts payable, accounts receivable and inventories were attributable to the decrease in sales volume between the fourth quarter of 1999 and the fourth quarter of 2000. Net cash used for investing activities was $12.2 million in 2000. Cash used for investing activities included a decrease in short-term investments of $12.2 million and additions to property, plant and equipment totaling $24.4 million. Net cash used for financing activities was $.3 million. Cash used for financing activities included $4.0 million for the payment of dividends offset by $3.8 million received from the issuance of stock under our stock option and purchase plans. We had $10 million available under our bank line of credit and working capital of $160.6 million at December 31, 2000. We anticipate that present working capital will be sufficient to meet our 2001 operating requirements including any capital expenditures during 2001.

BUSINESS AND MARKET RISKS

The semiconductor industry we serve is highly volatile and unpredictable.

Cohu's operating results are substantially dependent on our semiconductor equipment business. This capital equipment business is in turn highly dependent on the overall strength of the semiconductor industry. Historically, the semiconductor industry has been highly cyclical with recurring periods of oversupply and excess capacity, which often have had a significant effect on the semiconductor industry's demand for capital equipment, including equipment of the type manufactured and marketed by Cohu. We anticipate that the markets for newer generations of semiconductors and semiconductor equipment may also be subject to similar cycles and severe downturns, such as those experienced in 1996, 1998 and late 2000. Reductions in capital equipment investment by semiconductor manufacturers and test houses will materially and adversely affect our business, financial position and results of operations. In addition, the volatile and unpredictable nature of semiconductor equipment demand has in the past and may in the future expose us to significant excess and obsolete inventory write-offs.

New accounting rules may impact the timing of revenue recognition and operating results.

In December 1999, the staff of the Securities and Exchange Commission issued SAB 101, Revenue Recognition in Financial Statements. Cohu adopted SAB 101 in the fourth quarter of 2000 and, as required, changed its method of revenue recognition in certain instances. As a result of this change, a cumulative effect adjustment was recorded in Cohu's statement of income for the year ended December 31, 2000. Further changes in revenue recognition practices resulting from initiatives by the FASB are possible. Such changes could result in additional adjustments to our results of operations that may be reflected in future periods.

Semiconductor equipment is subject to rapid technological change, product introductions and transitions may result in inventory write-offs and our new product development involves numerous risks and uncertainties.

Semiconductor equipment and processes are subject to rapid technological change. We believe that our future success will depend in part on our ability to enhance existing products and develop new products with improved performance capabilities. We expect to continue to invest heavily in research and development and must manage product transitions successfully, as introductions of new products could adversely impact sales or margins of existing products. In addition, the introduction of new products, by Cohu or by our competitors, the concentration of our revenues in a limited number of large customers, the migration to new IC test handling methodologies and the custom nature of our inventory parts increases the risk that our established products and related inventory may become obsolete resulting in greater excess and obsolete inventory exposure. This increased exposure resulted in increased excess inventory reserve requirements during the third and fourth quarter of 2000. Future inventory write-offs and increased reserve requirements could have a material adverse impact on our results of operations and financial condition.

The design, development, commercial introduction and manufacture of new semiconductor test handling equipment is an inherently complex process that involves a number of risks and uncertainties. These risks include potential problems in meeting customer performance requirements, integration of the test handler with other suppliers' equipment and the customers' manufacturing processes, transitioning from product development to volume manufacturing and the ability of the equipment to satisfy the semiconductor industry's constantly evolving needs and achieve commercial acceptance at prices that produce satisfactory profit margins. The design and development of new test handling equipment is heavily influenced by changes in integrated circuit (IC) back-end manufacturing processes and IC package design changes. We believe that the rate of change in such processes and IC packages is accelerating. As a result of these changes and other factors, assessing the market potential and commercial viability of new test handling equipment is extremely difficult and subject to a great deal of risk. In addition, not all IC manufacturers employ the same manufacturing processes. Differences in such processes make it difficult to design standard semiconductor test handler products that are capable of achieving broad market acceptance. As a result we might not accurately assess the semiconductor industry's future test handler requirements and as a result fail to design and develop products that meet such requirements and achieve market acceptance. Failure to accurately assess customer requirements and market trends for new semiconductor test handler products may have a material adverse impact on our operations, financial condition and results of operations.

The transition from product development to the manufacture of new semiconductor equipment is a difficult process and delays in product introductions and problems in manufacturing such equipment are common. We have in the past and may in the future experience difficulties in manufacturing and volume production of our new test handlers. In addition, our after sale support and warranty costs have been significantly higher with new test handlers than with our established products. Future technologies, processes and product developments may render our current or future product offerings obsolete and we might not be able to develop, introduce and successfully manufacture new products or make enhancements to our existing products in a timely manner to satisfy customer requirements or achieve market acceptance. Furthermore, we might not realize acceptable profit margins on such products.

The semiconductor equipment industry in general, and the test handler market in particular, is highly competitive.

The semiconductor test handler industry is intensely competitive and we face substantial competition from numerous companies throughout the world. Future competition may include companies that do not currently supply test handlers. While, based on 1999 market data, we believe we were the largest worldwide supplier of semiconductor test handling equipment, we face substantial competition in the U.S. and throughout the world. The Japanese and Korean markets for test handling equipment are large and represent a significant percentage of the worldwide market. During the last five years we have had limited sales to Japanese and Korean customers who have historically purchased test handling equipment from Asian suppliers. Some of our competitors have substantially greater financial, engineering, manufacturing and customer support capabilities and offer more extensive product offerings than Cohu. In addition, there are smaller, emerging semiconductor equipment companies that provide or may provide innovative technology incorporated in products that may compete favorably against those of Cohu. We expect our competitors to continue to improve the design and performance of their current products and to introduce new products with improved performance capabilities. Our failure to introduce new products in a timely manner, the introduction by our competitors of products with perceived or actual advantages or disputes over rights of Cohu or our competitors to use certain intellectual property or technology could result in a loss of our competitive position and reduced sales of or margins on our existing products.

A limited number of customers account for a substantial percentage of our net sales.

We rely on a limited number of customers for a substantial percentage of our net sales. In 2000, four customers of the semiconductor equipment segment accounted for 50% (46% in 1999 and 60% in 1998) of our net sales. The loss of or a significant reduction in orders by these or other significant customers as a result of competitive products, market conditions, outsourcing final IC test to test houses that are not our customers or other factors, would adversely impact our financial condition and results of operations. Furthermore, the concentration of our revenues in a limited number of large customers may cause significant fluctuations in our future annual and quarterly operating results.

Our backlog is limited and may not accurately reflect future business activity.

Our order backlog has historically represented approximately three months of revenue and as a result our visibility over future business activity is limited. Due to the possibility of customer changes in delivery schedules, cancellation of orders, potential delays in product shipments, difficulties in obtaining inventory parts from suppliers, failure to satisfy customer acceptance requirements and the inability to recognize revenue under new accounting requirements, our backlog as of any point in time may not be representative of actual sales in any future period. Furthermore, all orders are subject to cancellation or rescheduling by the customer with limited penalty. A reduction in backlog during any particular period, such as occurred in the fourth quarter of 2000 where the Company's backlog declined to $38.1 million at December 31, 2000 from $72.9 at December 31, 1999, could have a material adverse effect on our business, financial condition and results of operations.

The cyclical nature of the semiconductor industry places enormous demands on our operations and infrastructure.

The semiconductor equipment industry is characterized by dramatic and sometimes volatile changes in demand for its products. Changes in product demand result from a number of factors including the semiconductor industry's ever changing and unpredictable capacity requirements and changes in IC design and packaging. Sudden changes in demand for semiconductor equipment have a significant impact on our operations. In response to a severe industry downturn in 1998, we reduced our total workforce by approximately 40%. During 1999, we increased our workforce by more than 50% as business conditions in the semiconductor equipment industry and our order backlog improved. In the first quarter of 2001, we reduced our workforce approximately 20% as a result of a downturn in the semiconductor equipment industry. Such radical changes in workforce levels place enormous demands on our operations and infrastructure since newly hired personnel rarely possess the expertise and level of experience of current employees. Additionally, these transitions divert management time and attention from other activities. We have in the past and may in the future experience difficulties, particularly in manufacturing, in training the large number of additions to our workforce. In addition, competition for the employment services of certain personnel, particularly those with technical skills, is intense. The volatility in headcount and business levels, combined with the cyclical nature of the semiconductor industry, may require that we invest substantial amounts in new operational and financial systems, procedures and controls and in improved and expanded facilities. We may not be able to successfully adjust our systems, facilities and production capacity to meet our customers' changing requirements. The inability to meet such requirements will have an adverse impact on our business, financial position and results of operations.

We have experienced a significant decline in gravity-feed test handler sales to DRAM customers.

Sales of IC test handlers used in DRAM testing represented a significant percentage of Cohu's total semiconductor equipment related revenue during the period 1994 through 1998. Due to changes in IC package technology, gravity-feed handlers are no longer suitable for handling many types of DRAMs. As a result, we have seen a significant decline in sales of our gravity-feed test handler products. IC handlers used in DRAM applications account for a significant portion of the worldwide IC handler market. If we are unable to successfully develop and market new products or enhancements to existing products for DRAM applications our results of operations will continue to be adversely impacted.

We are exposed to the risks of operating a global business.

Cohu has operations located in various parts of the world to support our sales and services to the global semiconductor industry. Managing geographically dispersed operations presents difficult challenges associated with, among other things, organizational alignment and infrastructure, communications and information technology, inventory control, customer relationship management and cultural diversities. In addition, maintaining these geographically dispersed locations is expensive. We may not be able to manage our multiple operations in a cost effective and efficient manner. If we are unsuccessful in managing such operations effectively, our business and results of operations will be adversely affected.

Failure of critical suppliers to deliver sufficient quantities of parts in a timely and cost-effective manner could adversely impact our operations.

We use numerous vendors to supply parts, components and subassemblies for the manufacture of our products. It is not always possible to maintain multiple qualified suppliers for all of our parts, components and subassemblies; as a result, certain key parts may be available only from a single supplier or a limited number of suppliers. In addition, suppliers may cease manufacturing certain components that are difficult to replace without significant reengineering of our products. On occasion, Cohu has experienced problems in obtaining adequate and reliable quantities of various parts and components from certain key suppliers. Our results of operations may be materially and adversely impacted if we do not receive sufficient parts to meet our requirements in a timely and cost effective manner.

We are exposed to the risk that third parties may violate our proprietary rights or accuse us of infringing upon their proprietary rights.

Cohu relies on patent, copyright, trademark and trade secret laws to establish and maintain proprietary rights in our technology and products. Any of our proprietary rights may be challenged, invalidated or circumvented, and these rights may not provide significant competitive advantages. In addition, from time to time, we receive notices from third parties regarding patent or copyright claims. Any such claims, with or without merit, could be time-consuming to defend, result in costly litigation, divert management’s attention and resources and cause Cohu to incur significant expenses. In the event of a successful claim of infringement against Cohu and our failure or inability to license the infringed technology or to substitute similar non-infringing technology, our business, financial condition and results of operations could be adversely affected.

A majority of our revenues are generated from exports to foreign countries, primarily in Asia, that are subject to economic instability and we compete against a number of Asian test handling equipment suppliers.

During 2000, 63% of our total net sales were exported to foreign countries, including 71% of the sales in the semiconductor equipment segment. The majority of our export sales are made to destinations in Asia. Instability in global economic markets, particularly in Asia, may adversely impact the demand for capital equipment, including equipment of the type manufactured and marketed by Cohu. In addition, we face intense competition from a number of Asian suppliers that have certain advantages over U.S. suppliers, including Cohu. These advantages include, among other things, proximity to customers, favorable tariffs and affiliation with significantly larger organizations. In addition, changes in the amount or price of semiconductors produced in Asia could impact the profitability or capital equipment spending programs of our foreign and domestic customers.

Our non semiconductor equipment businesses have experienced little or no growth over the last five years.

We develop, manufacture and sell products used in closed circuit television, metal detection and microwave radio applications. These products are sold in highly competitive markets and many competitors are segments of large, diversified companies with substantially greater financial, engineering, marketing, manufacturing and customer support capabilities than Cohu. In addition, there are smaller companies that provide or may provide innovative technology incorporated in products that may compete favorably against those of Cohu. We have seen a decline in the operating results of some of these businesses over the last several years and the future prospects for certain of these businesses remain uncertain. We may not be able to continue to compete successfully in these businesses.

We have experienced significant increases in our electricity costs and we may be exposed to power shortages.

Cohu is a significant user of electricity. The state of California recently deregulated the price of electricity. Deregulation combined with increases in the cost of generating electricity have resulted in a significant rise in Cohu’s electricity costs. Market forecasts predict significant increases in electricity prices in the future that will result in increased costs to Cohu that could have an adverse impact on our results of operations. In addition, we expect our electricity costs to increase as a result of moving certain of our San Diego operations to a significantly larger facility in 2001. Power shortages in California and the potential negative impact of deregulation and increased electricity costs could have a material adverse impact on our business, results of operations and financial condition.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate risk.

At December 31, 2000, our investment portfolio includes fixed-income securities with a fair value of approximately $74.9 million. These securities are subject to interest rate risk and will decline in value if interest rates increase. Due to the relatively short duration of our investment portfolio, an immediate one percent change in interest rates would have no material impact on our financial condition or results of operations.

Foreign currency exchange risk.

We generally conduct business, including sales to foreign customers, in U.S. dollars and as a result have limited foreign currency exchange rate risk. Monetary assets and liabilities of Cohu's foreign operations are not significant. The effect of an immediate ten percent change in foreign exchange rates would not have a material impact on our financial condition or results of operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is included in Part IV Item 14(a).

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding directors of Cohu is set forth under "Election Of Directors" in Cohu's Proxy Statement for the 2001 Annual Meeting of Stockholders ("the Proxy Statement"), which information is incorporated herein by reference. Information concerning the executive officers of Cohu is included in Part I of this report. Information in the Proxy Statement under "Section 16(a) Beneficial Ownership Reporting Compliance" is also incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information regarding Cohu's compensation of its executive officers and directors and certain other information is set forth in the Proxy Statement under "Board Of Directors And Committees", "Compensation Of Executive Officers And Other Information" and "Compensation Committee Interlocks And Insider Participation" and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information regarding security ownership of certain beneficial owners and management is set forth in the Proxy Statement under "Security Ownership Of Certain Beneficial Owners And Management" and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of, or incorporated by reference into, this Annual Report on Form 10-K.

1. Financial Statements

The following Consolidated Financial Statements of Cohu, Inc., including the report thereon of Ernst & Young LLP, are included in this Annual Report on Form 10-K beginning on page 17:

2. Financial Statement Schedules

All other financial statement schedules have been omitted because the required information is not applicable or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements or the notes thereto.

3. Exhibits

The exhibits listed under Item 14.(c) hereof are filed with, or incorporated by reference into, this Annual Report on Form 10-K.

(b) Reports on Form 8-K

No reports on Form 8-K were filed by Cohu during the fourth quarter of the year ended December 31, 2000.

COHU, INC.
CONSOLIDATED BALANCE SHEETS

(in thousands, except par value)

	December 31, 2000	December 31, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 79,119**	$ 55,954
Short-term investments	**13,468**	25,646
Accounts receivable less allowance for doubtful accounts of $2,227 in 2000 and $1,981 in 1999	**37,164**	52,262
Inventories:		
Raw materials and purchased parts	**22,120**	21,257
Work in process	**17,133**	18,768
Finished goods	**6,786**	15,621
	46,039	55,646
Deferred income taxes	**13,781**	11,231
Other current assets	**3,145**	2,030
Total current assets	**192,716**	202,769
Property, plant and equipment, at cost:		
Land and land improvements	**2,501**	2,501
Buildings and building improvements	**12,795**	12,507
Machinery and equipment	**22,138**	19,849
Land and building to be acquired	**21,288**	–
	58,722	34,857
Less accumulated depreciation and amortization	**20,605**	17,841
Net property, plant and equipment	**38,117**	17,016
Goodwill, net of accumulated amortization of $2,549 in 2000 and $2,260 in 1999	**578**	867
Other assets	**84**	81
	$231,495	$220,733
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	**$ 7,604**	$ 13,042
Income taxes payable	**–**	6,778
Accrued compensation and benefits	**8,955**	7,954
Accrued warranty	**4,916**	5,738
Customer advances	**834**	18,530
Deferred profit	**5,960**	–
Other accrued liabilities	**3,864**	4,677
Total current liabilities	**32,133**	56,719
Accrued retiree medical benefits	**1,058**	984
Deferred income taxes	**464**	674
Commitments		
Stockholders' equity:		
Preferred stock, $1 par value; 1,000 shares authorized, none issued	**–**	–
Common stock, $1 par value; 60,000 shares authorized, 20,313 shares issued and outstanding in 2000 and 19,938 shares in 1999	**20,313**	19,938
Paid in excess of par	**8,957**	3,539
Retained earnings	**168,570**	138,879
Total stockholders' equity	**197,840**	162,356
	$231,495	$220,733

See accompanying notes.

COHU, INC.
CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share amounts)

	Years ended December 31,		
	2000	1999	1998
Net sales	**$289,564**	$208,780	$171,511
Cost and expenses:			
Cost of sales	**176,961**	126,712	116,427
Research and development	**32,562**	20,534	20,400
Selling, general and administrative	**29,734**	26,879	21,107
Goodwill write-down	–	–	1,000
	239,257	174,125	158,934
Income from operations	**50,307**	34,655	12,577
Interest income	**5,731**	4,271	3,469
Income before income taxes	**56,038**	38,926	16,046
Provision for income taxes	**19,000**	13,000	4,400
Income before cumulative effect of change in accounting principle	**37,038**	25,926	11,646
Cumulative effect of change in accounting principle, net of $1,700 tax benefit	**(3,299)**	–	–
Net income	**$ 33,739**	$ 25,926	$ 11,646
Basic earnings per share:			
Income before cumulative effect of change in accounting principle	**$ 1.83**	$ 1.31	$ .60
Cumulative effect of change in accounting principle	**(.16)**	–	–
Net income	**$ 1.67**	$ 1.31	$ .60
Weighted average shares used in basic per share calculation	**20,197**	19,763	19,452
Diluted earnings per share:			
Income before cumulative effect of change in accounting principle	**$ 1.76**	$ 1.26	$ .58
Cumulative effect of change in accounting principle	**(.16)**	–	–
Net income	**$ 1.60**	$ 1.26	$ .58
Weighted average shares used in diluted per share calculation	**21,048**	20,502	19,940

See accompanying notes.

COHU, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except par value and per share amounts)

	Years ended December 31, 2000, 1999 and 1998			
	Common stock $1 par value	Paid in excess of par	Retained earnings	Total
Balance at December 31, 1997	$ 9,549	$8,677	$107,985	$126,211
Cash dividends - $.16 per share	–	–	(3,116)	(3,116)
Repurchase and retirement of stock	(1)	(27)	–	(28)
Exercise of stock options	195	1,452	–	1,647
Shares issued under employee stock purchase plan	36	667	–	703
Tax benefit from stock options	–	400	–	400
Net income	–	–	11,646	11,646
Balance at December 31, 1998	9,779	11,169	116,515	137,463
Two-for-one stock split	9,779	(9,779)	–	–
Cash dividends - $.18 per share	–	–	(3,562)	(3,562)
Repurchase and retirement of stock	(23)	(349)	–	(372)
Exercise of stock options	328	1,503	–	1,831
Shares issued under employee stock purchase plan	75	583	–	658
Tax benefit from stock options	–	412	–	412
Net income	–	–	25,926	25,926
Balance at December 31, 1999	19,938	3,539	138,879	162,356
Cash dividends - $.20 per share	**–**	**–**	**(4,048)**	**(4,048)**
Repurchase and retirement of stock	**(3)**	**(137)**	**–**	**(140)**
Exercise of stock options	**292**	**2,368**	**–**	**2,660**
Shares issued under employee stock purchase plan	**86**	**1,150**	**–**	**1,236**
Tax benefit from stock options	**–**	**2,037**	**–**	**2,037**
Net income	–	–	**33,739**	**33,739**
Balance at December 31, 2000	**$20,313**	**$8,957**	**$168,570**	**$197,840**

See accompanying notes.

COHU, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years ended December 31,		
Cash flows from operating activities:	**2000**	1999	1998
Net income	**$33,739**	$25,926	$11,646
Adjustments to reconcile net income to net cash provided from operating activities:			
Depreciation and amortization	**3,585**	3,294	2,799
Loss on asset write-downs and disposals	**–**	–	420
Goodwill write-down	**–**	–	1,000
Deferred income taxes	**(2,760)**	(600)	(636)
Increase (decrease) in accrued retiree medical benefits	**74**	(9)	(11)
Tax benefit from stock options	**2,037**	412	400
Changes in current assets and liabilities:			
Accounts receivable	**15,098**	(33,462)	13,134
Inventories	**9,607**	(29,769)	19,022
Other current assets	**(1,115)**	(489)	(63)
Accounts payable	**(5,438)**	10,026	(13,150)
Income taxes payable	**(6,778)**	3,708	(351)
Customer advances	**(17,696)**	14,552	3,978
Deferred profit	**5,960**	–	–
Accrued compensation, warranty and other liabilities	**(634)**	5,178	(2,551)
Net cash provided from (used for) operating activities	**35,679**	(1,233)	35,637
Cash flows from investing activities:			
Purchases of short-term investments	**(10,207)**	(22,429)	(21,280)
Maturities of short-term investments	**22,385**	9,040	22,837
Purchases of property, plant and equipment	**(24,397)**	(2,409)	(1,726)
Other assets	**(3)**	(16)	36
Net cash used for investing activities	**(12,222)**	(15,814)	(133)
Cash flows from financing activities:			
Issuance of stock, net	**3,756**	2,117	2,322
Dividends paid	**(4,048)**	(3,562)	(3,116)
Net cash used for financing activities	**(292)**	(1,445)	(794)
Net increase (decrease) in cash and cash equivalents	**23,165**	(18,492)	34,710
Cash and cash equivalents at beginning of year	**55,954**	74,446	39,736
Cash and cash equivalents at end of year	**$79,119**	$55,954	$74,446
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Income taxes, net of refunds	**$25,321**	$ 9,480	$ 5,191

See accompanying notes.

1. Summary of Significant Accounting Policies

Presentation - The consolidated financial statements include the accounts of Cohu, Inc. and its wholly-owned subsidiaries (the "Company" or "Cohu"). All significant intercompany accounts and balances have been eliminated in consolidation.

Investments - Highly liquid investments with insignificant interest rate risk and original maturities of three months or less are classified as cash and cash equivalents. Investments with maturities greater than three months are classified as short-term investments. All of the Company's investments are classified as available-for-sale and are reported at fair value with unrealized gains and losses, net of tax, recorded in stockholders' equity. Gross unrealized gains and losses were not significant at December 31, 2000 and 1999. The Company manages its cash equivalents and short-term investments as a single portfolio of highly marketable securities, all of which are intended to be available for the Company's current operations.

Concentration of Credit Risk - Financial instruments that potentially subject the Company to significant credit risk consist principally of cash equivalents, short-term investments and trade accounts receivable. The Company invests in a variety of financial instruments and by policy limits the amount of credit exposure with any one issuer. The Company's customers include semiconductor manufacturers and others located throughout the world. The Company performs ongoing credit evaluations of its customers and generally requires no collateral.

Inventories - Inventories are stated at the lower of cost, determined on a current average or first-in, first-out basis, or market.

Long-Lived Assets - Depreciation and amortization of property, plant and equipment is calculated principally on the straight-line method based on estimated useful lives of five to forty years for buildings and building improvements and three to ten years for machinery and equipment. Through December 31, 1998, goodwill was amortized on the straight-line method over twenty years. Commencing January 1999, goodwill is being amortized over four years. The carrying amount and useful life of long-lived assets are reviewed if facts and circumstances suggest there has been impairment. If this review indicates that long-lived assets will not be recoverable, as determined based on estimated undiscounted cash flows, the carrying amount and useful life are adjusted as appropriate.

Earnings Per Share - Basic earnings per share are computed using the weighted average number of common shares outstanding during each period. Diluted earnings per share include the dilutive effect of common shares potentially issuable upon the exercise of stock options. In 2000, 1999 and 1998 options to purchase 114,000, 100,000 and 476,000 shares, respectively, of common stock at average exercise prices of $27.28, $18.71 and $16.81 respectively, were excluded from the diluted computation. The following table reconciles the denominators used in computing basic and diluted earnings per share:

	2000	1999	1998
(in thousands)			
Weighted average common shares outstanding	**20,197**	19,763	19,452
Effect of dilutive stock options	**851**	739	488
	21,048	20,502	19,940

Revenue Recognition - Effective January 1, 2000, the Company changed its method of revenue recognition for certain semiconductor equipment sales to comply with SEC Staff Accounting Bulletin No. 101, *Revenue Recognition in Financial Statements* ("SAB 101"). See Note 2, Change in Accounting for Revenue Recognition. SAB 101 sets forth guidelines on the timing of revenue recognition based upon factors such as passage of title, installation, payment and customer acceptance. Prior to SAB 101, the Company generally recognized revenue upon shipment once customer acceptance provisions had been met. Revenue for established products that have previously satisfied customer acceptance requirements and that provide for full payment tied to shipment is generally recognized upon shipment and passage of title. Revenue for products that have not previously satisfied customer acceptance requirements or from sales where customer payment dates are not determinable are recognized upon customer acceptance. In certain instances, customer payment terms may provide that a minority portion of the equipment purchase price be paid only upon customer acceptance. In those situations, the portion of the purchase price related to customer acceptance is generally recognized upon customer acceptance with the majority portion of revenue and the entire product cost recognized upon shipment and passage of title. Equipment installation is typically provided by the Company and is generally not billed separately to the customer. The estimated fair value of installation related revenue is recognized in the period the installation is performed. Service revenue is recognized ratably over the period of the related contract. The gross profit on sales that are not recognized is generally recorded as deferred profit in the consolidated balance sheet. In certain instances where revenue and the related receivable are not recognized, customer payments received are recorded as customer advances in the consolidated balance sheet. Product warranty costs are accrued in the period sales are recognized.

Stock Based Compensation - The Company applies APB Opinion No. 25 and related interpretations in accounting for its stock option and employee stock purchase plans.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions about the future that affect the amounts reported in the consolidated financial statements. These estimates include assessing the collectibility of accounts receivable, usage and recoverability of inventory and long-lived assets and incurrence of warranty costs. Actual results could differ from those estimates.

Derivative Instruments and Hedging Activities - Cohu will adopt FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("Statement No. 133"), at the beginning of 2001. Statement No. 133 will require, among other things, that all derivatives be recognized in the balance sheet at fair value and special accounting for hedging activities that meet certain criteria. The Company generally does not hold derivative instruments or engage in hedging activities and as a result the adoption of Statement No. 133 is not expected to have a material effect on the Company's financial condition or results of operations.

2. Change in Accounting for Revenue Recognition

In the fourth quarter of 2000, the Company changed its method of recognizing revenue from certain semiconductor equipment sales. The new method of accounting was adopted to comply with SAB 101. In accordance with SAB 101 the new method of accounting has been applied retroactively to transactions that occurred prior to 2000. The cumulative effect adjustment of the change in accounting on prior years through December 31, 1999 was a reduction to income of $3,299,000 (after credit for income taxes of $1,700,000) and is included in income for the year ended December 31, 2000. Revenue amounting to $9,002,000 that was previously recognized and included in the cumulative effect adjustment at December 31, 1999 was recognized during 2000. The effect of the change on the three months ended December 31, 2000 was to decrease net income $230,000 ($.01 per diluted share). The effect of the change on the year ended December 31, 2000 was to decrease income before cumulative effect of change in accounting principle by $661,000 ($.03 per diluted share). Pro forma amounts showing the retroactive application of SAB 101 for periods prior to 2000 could not be reasonably estimated and have not been provided. The effect of the change on the first three quarters of 2000 is as follows:

Three months ended *(unaudited)* *(in thousands)*	March 31	June 30	September 30
Revenue as originally reported	$72,467	$86,723	$77,216
Effect of change in revenue recognition	265	38	(3,028)
Revenue as restated	$72,732	$86,761	$74,188
Gross profit as originally reported	$27,724	$35,343	$30,623
Effect of change in revenue recognition	806	(282)	(1,135)
Gross profit as restated	$28,530	$35,061	$29,488
Net income as originally reported	$ 9,923	$13,114	$ 9,812
Effect of change in revenue recognition	530	(186)	(775)
Income before cumulative effect of change in revenue recognition	10,453	12,928	9,037
Cumulative effect on prior years (to December 31, 1999) of changing to a different revenue recognition method	(3,299)	–	–
Net income as restated	$ 7,154	$12,928	$ 9,037

Three months ended *(unaudited)*	March 31	June 30	September 30
Per share amounts (diluted):			
Net income as originally reported	$ .47	$ .62	$ .47
Effect of change in revenue recognition	.02	(.01)	(.04)
Income before cumulative effect of change in revenue recognition	.49	.61	.43
Cumulative effect on prior years (to December 31, 1999) of changing to a different revenue recognition method	(.16)	–	–
Net income as restated	$ .33	$ .61	$ .43

3. Real Estate Transactions

On October 27, 2000, the Company entered into certain agreements with IPX Camelback, LLC ("IPX") under which it became obligated to acquire real property in Poway, California consisting of a 338,000 square-foot building and approximately twenty acres of land (the "Poway Facility"). The purchase price of $21.3 million was loaned by the Company to IPX to facilitate its purchase of the Poway Facility. Pursuant to a lease and real estate purchase option agreement, Cohu has the option to acquire the Poway Facility from IPX for an amount of $21.3 million, as adjusted. The purchase price will be allocated to land and building based on their respective fair values estimated at $15.3 million for building and improvements and $6.0 million for land. If the Company does not purchase the Poway Facility from IPX by July 3, 2001, IPX may sell the Poway Facility to another buyer. If the sale price received by IPX from another party is less than the outstanding loan balance between the Company and IPX, Cohu is required to pay IPX the difference as liquidated damages. On October 27, 2000, Cohu entered into a six-month lease of the Poway Facility with IPX. A portion of the Poway Facility is currently occupied by an unrelated company under a two-year sublease agreement with Cohu. Cohu plans on selling the facilities occupied by its Delta Design subsidiary in San Diego, California, consisting of three buildings (net book value of $3.8 million at December 31, 2000) and related land (net book value of $120,000 at December 31, 2000) and twelve acres of land in Poway (net book value of $963,000 at December 31, 2000). The Company plans on moving its corporate headquarters and the San Diego operations of its Delta Design subsidiary to the Poway Facility in 2001.

4. 1998 Fourth Quarter Adjustments

In the fourth quarter of 1998, the Company recorded net pretax charges for inventory and related reserves of approximately $3.5 million and a goodwill write-down of $1.0 million primarily as a result of changes in customer demand for certain semiconductor test handler products. In addition, the credit for income taxes in the fourth quarter of 1998 was favorably affected by approximately $1.0 million as a result of the settlement of tax examinations for earlier years.

5. Investments

Investments at December 31, were as follows:

(in thousands)	**2000**	1999
Corporate debt securities	**$72,881**	$66,552
U.S. government agency securities	**2,026**	–
	74,907	66,552
Less amounts classified as cash equivalents	**(61,439)**	(40,906)
Short-term investments	**$13,468**	$25,646

At December 31, 2000 and 1999, the estimated fair value of the Company's investments approximated amortized cost. Accordingly, temporary differences between the investment portfolio's fair value and its cost have not been presented as a separate component of stockholders' equity. Except for $6.2 million of investments at December 31, 2000 that mature in 2002, all investments mature in 2001.

6. Line of Credit

The Company maintains a $10,000,000 unsecured bank line-of-credit facility bearing interest at the bank's prime rate. The facility requires compliance with certain financial covenants and expires in May 2001. No borrowings were outstanding at December 31, 2000 or 1999.

7. Income Taxes

Significant components of the provision for income taxes are as follows:

	2000	1999	1998
(in thousands)			
Current:			
Federal	**$17,716**	$11,734	$4,329
State	**2,344**	1,866	707
Total current	**20,060**	13,600	5,036
Deferred:			
Federal	**(921)**	(674)	(478)
State	**(139)**	74	(158)
Total deferred	**(1,060)**	(600)	(636)
	$19,000	$13,000	$4,400

The cumulative effect of change in accounting principle included in the 2000 consolidated statement of income is net of a $1,700,000 deferred tax benefit not reflected in the table above.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting and tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

December 31,	**2000**	1999
(in thousands)		
Deferred tax assets:		
Reserves and accrued warranty costs	**$10,268**	$ 9,850
Accrued state income taxes	**593**	482
Accrued employee benefits	**1,258**	1,278
SAB 101	**2,000**	–
Other	**540**	520
Total deferred tax assets	**14,659**	12,130
Deferred tax liabilities:		
Tax over book depreciation	**1,342**	1,573
Net deferred tax assets	**$13,317**	$10,557

The reconciliation of income tax computed at the U.S. federal statutory tax rate to the provision for income taxes is as follows:

	2000	1999	1998
(in thousands)			
Tax at U.S. statutory rate	**$19,613**	$13,624	$5,616
State income taxes, net of federal tax benefit	**1,434**	1,261	357
Foreign Sales Corporation benefit	**(1,929)**	(1,487)	(641)
Nondeductible goodwill and performance-based consideration expense	**101**	101	405
Settlement of prior year tax examinations	**–**	–	(1,049)
Other – net	**(219)**	(499)	(288)
	$19,000	$13,000	$4,400

8. Stockholder Rights Plan

In November 1996, the Company adopted a Stockholder Rights Plan and declared a dividend distribution of one-half Right ("Right") for each share of Common Stock, payable to holders of record on December 3, 1996. Under certain conditions, each Right may be exercised to purchase 1/200 of a share of Series A Preferred Stock at a purchase price of $45, subject to adjustment. The Rights are not presently exercisable and will only become exercisable following the occurrence of certain specified events. If these specified events occur, each Right will be adjusted to entitle its holder to receive upon exercise Common Stock having a value equal to two times the exercise price of the Right or each Right will be adjusted to entitle its holder to receive common stock of the acquiring company having a value equal to two times the exercise price of the Right, depending on the circumstances. The Rights expire on November 14, 2006 and may be redeemed by the Company for $0.001 per Right. The Rights do not have voting or dividend rights and, until they become exercisable, have no dilutive effect on the earnings per share of the Company.

9. Segment and Related Information

The Company has two reportable segments as defined by FASB Statement No. 131, *Disclosures about Segments of an Enterprise and Related Information.* The Company's reportable segments are business units that offer different products and are managed separately because each business requires different technology and marketing strategies. The semiconductor equipment segment designs, manufactures and sells semiconductor test handling equipment to semiconductor manufacturers throughout the world and accounted for 87% of net sales in 2000. The television camera segment designs, manufactures and sells closed circuit television cameras and systems to original equipment manufacturers, contractors and government agencies and accounted for 9% of net sales in 2000. The Company's other operating segments include a metal detection business and a microwave radio equipment company. Neither of these other segments met any of the quantitative thresholds for determining reportable segments. Information regarding industry segments for 2000, 1999 and 1998 contained in the Selected Financial Data on pages 9 and 10 is an integral part of these consolidated financial statements.

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. The Company allocates resources and evaluates the performance of segments based on pretax profit or loss from operations, excluding unusual gains or losses. Intersegment sales were not significant for any period.

Customers from the semiconductor equipment segment comprising 10% or greater of the Company's net sales are summarized as follows:

	2000	1999	1998
Intel	**26%**	7%	12%
Texas Instruments	**12%**	12%	9%
Motorola	**10%**	24%	22%
Micron Technology	**2%**	3%	17%

Assets located in foreign countries were not significant. Net sales to customers, attributed to countries based on product shipment destination, were as follows:

	2000	1999	1998
(in thousands)			
United States	**$107,770**	$ 76,715	$ 96,645
Malaysia	**45,204**	18,822	19,222
Philippines	**28,451**	13,363	19,141
Taiwan	**24,553**	19,849	6,301
Singapore	**17,690**	25,616	8,101
China	**12,444**	21,351	9,035
Other foreign countries	**53,452**	33,064	13,066
Total	**$289,564**	$208,780	$171,511

10. Employee Benefit Plans

Retirement Plans - The Company has voluntary defined contribution retirement 401(k) plans whereby it will match contributions up to 4% of employee compensation. Company contributions to the plans were $1,550,000 in 2000, $1,199,000 in 1999 and $1,179,000 in 1998. Certain of the Company's foreign employees participate in a defined benefit pension plan. The related expense and benefit obligation of this plan were not significant.

Retiree Medical Benefits - The Company provides post-retirement health benefits under a noncontributory plan to certain executives and directors. The net periodic benefit cost was $76,000, $80,000 and $78,000, in 2000, 1999 and 1998, respectively. The Company funds benefits as costs are incurred. Benefits paid and other changes in the benefit obligation for each of the three years in the period ended December 31, 2000 were not significant. The weighted average discount rate used in determining the accumulated post-retirement benefit obligation was 7.0% in 2000, 1999 and 1998. Annual rates of increase of the cost of health benefits were assumed to be 8.75% for 2001. These rates were then assumed to decrease 0.25% per year to 6% in 2012 and remain level thereafter. A 1% increase (decrease) in health care cost trend rates would increase (decrease) the 2000 net periodic benefit cost by approximately $13,000 ($10,000) and the accumulated post-retirement benefit obligation as of December 31, 2000 by approximately $148,000 ($122,000).

Employee Stock Purchase Plan - The Cohu, Inc. 1997 Employee Stock Purchase Plan provides for the issuance of a maximum of 600,000 shares of the Company's Common Stock. Under the Plan, eligible employees may purchase shares of common stock through payroll deductions. The price paid for the common stock is equal to 85% of the fair market value of the Company's Common Stock on specified dates. In 2000, 1999 and 1998, 85,994, 74,995 and 70,958 shares, respectively, were issued under the Plan.

The estimated weighted average fair value of purchase rights granted in 2000, 1999 and 1998 was $8.52, $4.39 and $4.51, respectively. The fair value of the purchase rights was estimated using the Black-Scholes option-pricing model with the following assumptions for 2000, 1999 and 1998; risk-free interest rates ranging from 4.4% to 6.4%; dividend yield of 1%; expected life of 6 months and volatility of 56% to 62%.

Stock Options - Under the Company's stock option plans, options may be granted to key employees and outside directors to purchase a fixed number of shares of the Company's Common Stock at prices not less than 100% of the fair market value at the date of grant. All options become exercisable one-fourth annually beginning one year after the grant date and expire 10 years from the grant date. Options to purchase a total of 443,200 shares were granted to employees in exchange for an equal number of canceled options pursuant to an exchange plan approved by the Board of Directors in December 1998. The newly granted options have exercise prices equal to the fair market value on the date of grant and become exercisable over the four-year period ended December 2002. At December 31, 2000, 586,850 and 120,000 shares were available for future grants under the employee and outside director plans, respectively.

The estimated weighted average fair value of options granted during 2000, 1999 and 1998 was $8.03, $6.04 and $6.60, respectively. The fair value of each option grant was estimated on the grant date using the Black-Scholes option-pricing model with the following assumptions for 2000, 1999 and 1998: risk-free interest rates ranging from 4.2% to 6.7%; dividend yield of 1%; expected life of 4 to 5 years and volatility of 56% to 62%.

Had compensation cost for the Company's stock option and purchase plan grants from 1995 through 2000 been determined based on the fair value at the date of grant accounting consistent with FASB Statement No. 123*, Accounting for Stock-Based Compensation*, the Company's pro forma net income and earnings per share would have been as follows:

	2000	1999	1998
(in thousands, except per share amounts)			
Pro forma net income	**$30,078**	$23,593	$10,598
Pro forma earnings per share:			
Basic	**1.49**	1.19	.54
Diluted	**1.45**	1.17	.54

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. Because the Company's employee stock option and purchase plans have characteristics significantly different from those of traded options, in management's opinion, this model does not necessarily provide a reliable single measure of the fair value of its employee stock option and purchase plans.

Stock option activity under all option plans was as follows:

	2000		1999		1998	
	Shares	**Wt. Avg. Ex. Price**	Shares	Wt. Avg. Ex. Price	Shares	Wt. Avg. Ex. Price
(in thousands, except per share data)						
Outstanding, beginning of year	**1,911**	**$11.42**	1,598	$ 9.47	1,714	$ 8.57
Granted	**698**	**16.24**	816	12.98	806	13.36
Exercised	**(292)**	**9.13**	(328)	5.58	(390)	4.22
Canceled	**(79)**	**16.78**	(175)	11.78	(532)	16.31
Outstanding, end of year	**2,238**	**$13.04**	1,911	$11.42	1,598	$ 9.47
Options exercisable at year end	**725**	**$10.53**	559	$ 8.87	610	$ 6.22

Information about stock options outstanding at December 31, 2000 is as follows:

	Options Outstanding			Options Exercisable	
(options in thousands)					
Range of Exercise Prices	Number Outstanding at 12/31/00	Approximate Wt. Avg. Remaining Life (Years)	Wt. Avg. Ex. Price	Number Exercisable at 12/31/00	Wt. Avg. Ex. Price
$ 4.03 – 7.69	110	4.2	$ 4.53	100	$ 4.22
8.50 – 13.88	1,869	8.1	12.05	552	10.46
14.03 – 28.13	203	8.1	19.81	73	19.75
35.00 – 38.81	56	9.3	38.13	–	–
	2,238	8.0	$13.04	725	$10.53

11. Commitments

Rent expense for the years ended December 31, 2000, 1999 and 1998 was $1,329,000, $1,006,000 and $731,000, respectively. Future minimum lease payments at December 31, 2000 are: 2001 - $1,119,000; 2002 - $946,000; 2003 - $698,000; 2004 - $685,000; 2005 – $639,000; totaling $4,087,000. Future minimum payments have not been reduced by minimum sublease rentals totaling $740,000 due in 2001 and 2002.

12. Quarterly Financial Data (unaudited)

Quarter		First*	Second*	Third*	Fourth	Year
(in thousands, except per share data)						
Net sales:	**2000**	**$72,732**	**$86,761**	**$74,188**	**$55,883**	**$289,564**
	1999	29,526	43,471	61,728	74,055	208,780
Gross profit:	**2000**	**28,530**	**35,061**	**29,488**	**19,524**	**112,603**
	1999	10,362	17,721	24,652	29,333	82,068
Income before cumulative effect of accounting change:	**2000**	**10,453**	**12,928**	**9,037**	**4,620**	**37,038**
	1999	1,391	4,870	7,482	12,183	25,926
Net income:	**2000**	**7,154**	**12,928**	**9,037**	**4,620**	**33,739**
	1999	1,391	4,870	7,482	12,183	25,926
Earnings per share before cumulative effect of accounting change:						
Basic	**2000**	**.52**	**.64**	**.45**	**.23**	**1.83**
	1999	.07	.25	.38	.61	1.31
Diluted	**2000**	**.49**	**.61**	**.43**	**.22**	**1.76**
	1999	.07	.24	.36	.58	1.26

*Amounts for 2000 restated. See Note 2, Change in Accounting for Revenue Recognition.

Report of Ernst & Young LLP, Independent Auditors

The Board of Directors and Stockholders
Cohu, Inc.

We have audited the accompanying consolidated balance sheets of Cohu, Inc. as of December 31, 2000 and 1999, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cohu, Inc. at December 31, 2000 and 1999, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Notes 1 and 2 to the consolidated financial statements, in 2000 the Company changed its method of revenue recognition.

/s/ Ernst & Young LLP

San Diego, California
January 30, 2001

Index to Exhibits

14. (c) The following exhibits are filed as part of, or incorporated into, the Cohu Annual Report on Form 10-K:

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of Cohu, Inc., incorporated herein by reference from the Cohu Form S-8 filed June 30, 2000, Exhibit 4.1(a)
3.2	Amended and Restated Bylaws of Cohu, Inc., incorporated herein by reference from the Cohu Form 8-K, filed December 12, 1996, Exhibit 3.2
4.1	Rights Agreement dated November 15, 1996, between Cohu, Inc. and ChaseMellon Shareholder Services, L.L.C, as Rights Agent, incorporated herein by reference from the Cohu Form 8-K, filed December 12, 1996, Exhibit 4.1
10.1	Description of Cohu, Inc. Executive Incentive Bonus Plan, incorporated herein by reference from the Cohu 1990 Form 10-K, Exhibit 10.3*
10.2	Cohu, Inc. 1992 Stock Option Plan, incorporated herein by reference from the Cohu Proxy Statement for its 1992 Annual Meeting of Stockholders*
10.3	Cohu, Inc. 1994 Stock Option Plan, incorporated herein by reference from the Cohu Proxy Statement for its 1995 Annual Meeting of Stockholders*
10.4	Cohu, Inc. 1996 Stock Option Plan, incorporated herein by reference from the Cohu Proxy Statement for its 1996 Annual Meeting of Stockholders*
10.5	Business Loan Agreement between Bank of America, N.A. and Cohu, Inc. dated June 15, 1998, incorporated herein by reference from the Cohu Form 10-Q for the quarter ended June 30, 1998, Exhibit 10.1
10.5.1	Amendment No. 1 to Business Loan Agreement dated May 19, 1999 between Cohu, Inc. and Bank of America, N.A., incorporated herein by reference from the Cohu Form 10-Q for the quarter ended June 30, 1999, Exhibit 10.1
10.5.2	Amendment No. 2 to Business Loan Agreement dated April 28, 2000 between Cohu, Inc. and Bank of America, N.A., incorporated herein by reference from the Cohu Form 10-Q for the quarter ended June 30, 2000, Exhibit 10.1
10.6	Termination Agreement between Cohu, Inc. and John H. Allen, incorporated herein by reference from the Cohu 1996 Form 10-K, Exhibit 10.11*
10.7	Cohu, Inc. 1996 Outside Directors Stock Option Plan, incorporated herein by reference from the Cohu 1996 Form 10-K, Exhibit 10.12*
10.8	Cohu, Inc. 1997 Employee Stock Purchase Plan, incorporated herein by reference from the Cohu 1996 Form 10-K, Exhibit 10.13*
10.9	Cohu, Inc. Key Executive Long Term Incentive Plan, incorporated herein by reference from the Cohu 1997 Form 10-K, Exhibit 10.13*
10.10	Cohu, Inc. 1998 Stock Option Plan, incorporated herein by reference from the Cohu Form S-8 filed June 30, 2000, Exhibit 4.4*
10.11	Termination Agreement between Cohu, Inc. and James A. Donahue, incorporated herein by reference from the Cohu Form 10-Q for the quarter ended June 30, 1998, Exhibit 10.2*

Exhibit No.	Description
10.12	Lease Assignment Agreement dated June 25, 1999 by and between Cohu, Inc., Cubic Defense Systems, Inc. and Thomas G. Plein and Diane L. Plein, incorporated herein by reference from the Cohu Form 10-Q for the quarter ended June 30, 1999, Exhibit 10.2
10.12.1	Option to extend lease agreement dated June 25, 1999 by and between Cohu, Inc. and Thomas G. Plein and Diane L. Plein, incorporated herein by reference from the Cohu Form 10-Q for the quarter ended June 30, 2000, Exhibit 10.2
10.13	Employment Agreement between Cohu, Inc. and Charles A. Schwan, incorporated herein by reference from the Cohu Form 10-Q for the quarter ended June 30, 2000, Exhibit 10.3*
10.14	Lease and Real Estate Purchase Option Agreement between Cohu, Inc. and IPX Camelback, LLC dated July 3, 2000
10.15	Loan Agreement between Cohu, Inc. and IPX Camelback, LLC dated July 3, 2000
10.16	Indemnity Agreement between Cohu, Inc. and IPX Camelback, LLC dated July 3, 2000
10.17	Lease Agreement between Cohu, Inc. and IPX Camelback LLC dated October 27, 2000
10.18	Sublease Agreement between Cohu, Inc. and Anacomp, Inc. dated October 27, 2000
21	Cohu, Inc. has the following wholly owned subsidiaries: Delta Design, Inc., a Delaware corporation Fisher Research Laboratory, Inc., a Delaware corporation Broadcast Microwave Services, Inc., a Delaware corporation Delta Design (Littleton), Inc., a Delaware corporation Cohu Foreign Sales Ltd., a Barbados corporation
23	Consent of Ernst & Young LLP, Independent Auditors

* Management contract or compensatory plan or arrangement

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COHU, INC.

Date: March 8, 2001

By /s/ James A. Donahue
James A. Donahue
President & Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Charles A. Schwan Charles A. Schwan	Chairman of the Board, Director	March 8, 2001
/s/ James A. Donahue James A. Donahue	President & Chief Executive Officer, Director (Principal Executive Officer)	March 8, 2001
/s/ John H. Allen John H. Allen	Vice President, Finance & Chief Financial Officer, Secretary (Principal Financial & Accounting Officer)	March 8, 2001
/s/ James W. Barnes James W. Barnes	Director	March 8, 2001
/s/ Harry L. Casari Harry L. Casari	Director	March 8, 2001
/s/ Frank W. Davis Frank W. Davis	Director	March 8, 2001
/s/ Harold Harrigian Harold Harrigian	Director	March 8, 2001
/s/ Gene E. Leary Gene E. Leary	Director	March 8, 2001

COHU, INC.
SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
(in thousands)

Description	Balance at Beginning of Year	Additions Charged to Expense	Deductions (Write-offs)	Balance at End of Year
Allowance for doubtful accounts:				
Year ended December 31, 1998	$1,788	$147	$597	$1,338
Year ended December 31, 1999	$1,338	$823	$180	$1,981
Year ended December 31, 2000	$1,981	$445	$199	$2,227
Reserve for excess and obsolete inventories:				
Year ended December 31, 1998	$15,094	$10,583	$7,255	$18,422
Year ended December 31, 1999	$18,422	$1,113	$3,676	$15,859
Year ended December 31, 2000	$15,859	$5,928	$4,267	$17,520

COHU, INC.
COMPANY INFORMATION

Board Of Directors

Charles A. Schwan
Chairman of the Board and
Retired President and Chief Executive Officer,
Cohu, Inc.

James W. Barnes
Retired President and Chief Executive Officer,
Cohu, Inc.

Harry L. Casari
Retired Partner
Ernst & Young LLP

Frank W. Davis
Retired President of Convair
Aerospace Division of General Dynamics
San Diego, California

James A. Donahue
President and Chief Executive Officer,
Cohu, Inc.

Harold Harrigian
Retired Partner & Director
of Corporate Finance,
Crowell, Weedon & Co.

Gene E. Leary
Retired Executive at Honeywell, Inc.
and Control Data Corporation

Corporate Officers

James A. Donahue
President and
Chief Executive Officer

John H. Allen
Vice President, Finance and
Chief Financial Officer, Secretary

Additional Information For Stockholders

Corporate Headquarters
5755 Kearny Villa Road
San Diego, CA 92123-1111
(858) 541-5184
On the web: www.cohu.com

Legal Counsel
Gray Cary Ware & Freidenrich LLP
San Diego, California

Independent Auditors
Ernst & Young LLP
San Diego, California

Transfer Agent and Registrar
Mellon Investor Services LLC
P.O. Box 3315
South Hackensack, NJ 07606-1915
(800) 356-2017
www.mellon-investor.com

SEC Filings
Copies of documents filed by Cohu with the Securities and Exchange Commission and other information about Cohu are available without charge by contacting Cohu or by accessing our web site, (www.cohu.com) or the SEC's Edgar web site (www.sec.gov).

Current Press Releases
Cohu distributes press releases via Business Wire. Releases can be accessed via Cohu's web site or through financial wires.

Share Information
Cohu, Inc. stock is traded on the Nasdaq Stock Market under the symbol "COHU".

COHU, inc.
www.cohu.com