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, 1999

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 $831,000,000 as of February 15, 2000. 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, 2000, the Registrant had 20,103,019 shares of its $1.00 par value common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part I and Part II incorporate certain information by reference from the Annual Report to Stockholders for the year ended December 31, 1999. Part III incorporates certain information by reference from the Proxy Statement for the 2000 Annual Meeting of Stockholders.

PART I

ITEM 1. BUSINESS

This Annual Report on Form 10-K contains certain forward-looking statements including expectations of market demand, 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" 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 7 that could cause actual results to differ materially from those projected.

A predecessor of Cohu, Inc. ("Cohu") 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 the Company's wholly owned subsidiary Delta Design, Inc., designs, manufactures and sells semiconductor test handling equipment to semiconductor manufacturers 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:

	1999	1998	1997
Semiconductor equipment	84%	80%	81%
Television cameras	10	12	13
Other	6	8	6
	100%	100%	100%

Additional financial information on industry segments for each of the last three years is included on pages 2 (Selected Financial Data) and 10 and 11 (Note 7) in the 1999 Annual Report to Stockholders and is incorporated herein by reference.

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. Delta Design ("Delta") is the largest U.S. based and the second largest worldwide supplier of semiconductor test handling equipment. Delta designs, manufactures, markets and services a broad range of test handlers, capable of handling virtually any type of integrated circuit ("IC") package. 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 systems utilize both pick-and-place handling and gravity-feed techniques. 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 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 automatically removed 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. Over the years, Delta has developed considerable expertise in the design of reliable, precision mechanisms which operate in these extreme temperatures and in controlling test temperature during test. 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 large amounts of heat which are generated during the test process. This heat is capable of damaging or destroying the IC and can also 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 virtually any semiconductor package type, through the use of tooling known as package dedication kits. Delta has a large installed base of pick-and-place test handlers, with over 2,000 systems installed at more than 130 locations worldwide.

The Delta Nitro Flex(TM), 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. The "Flex" is considered an industry workhorse and more Flexes have been sold than any other logic pick-and-place test handler. 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(TM), 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 four devices. The RFS(TM) 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(TM). The handler's small footprint of only eleven square feet, combined with high speed and dependable operation, make the 1688 a highly cost effective solution for test applications where environmental capability is not required.

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 benchmark small footprint as the Mx32 and a fast index time to maximize test system utilization.

Delta's newest handler, Summit, 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 three lines of gravity-feed test handlers: the 717 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 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 and accommodate a wide range of package types at throughput rates up to 4,200 units per hour ("UPH"). 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. The system operates at speeds up to 18,000 UPH in dual or quad site configurations.

The Enterprise handler employs a handling technique known as test-in-tray. Unlike pick-and-place handlers, which remove ICs from trays and process them in boats, or carriers, Enterprise transports the devices through the handler in the storage tray, greatly reducing the amount of device handling. Test-in-tray is particularly suited for parallel test applications. Test-in-tray requires the IC manufacturer to make certain changes to conventional IC handling and test processes. While the benefits of test-in-tray may be significant and we sold a significant number of these handlers in 1998, market acceptance of this product has been very limited and the future use of this technology is uncertain.

TELEVISION CAMERAS

The Electronics Division of Cohu has been a designer, manufacturer and seller of closed circuit television ("CCTV") cameras and systems for over 40 years. The customer base for these products is broadly distributed between machine vision, 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 lines, 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.

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 customer base includes companies that manufacture semiconductor devices primarily for internal use and companies that manufacture devices for sale to others. 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 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. In 1997 Motorola, Intel and Micron Technology represented 17%, 14% and 11%, 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 third parties that are not our customers would adversely affect our financial condition and results of operations.

TELEVISION CAMERAS AND OTHER BUSINESSES

Our 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 1999, 1998 or 1997.

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 1999, 1998 or 1997.

Contracts, including subcontract work, with U. S. Government agencies accounted for net sales of $3.4 million, $4.7 million, and $5.3 million in 1999, 1998 and 1997, 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 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. The sales in Europe are derived primarily through 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 we believe we are the largest U.S. based 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. 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 of as of December 31, 1999 was $72.9 million as compared to $28.1 million at December 31, 1998. Of these amounts, $62.3 million ($20.8 million in 1998) was in semiconductor test handling equipment, $8.8 million ($5.3 million in 1998) was in television cameras and $1.8 million ($2.0

million in 1998) 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 and potential delays in product shipments, 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 activities take place 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 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 have a negative affect on 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 sales 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. Although we believe our intellectual property has value (and includes trademark rights and trade names other than Cohu), 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 affect 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 $20.5 million in 1999, $20.4 million in 1998 and $17.5 million in 1997. Total dollar expenditures increased primarily due to increased spending for R & D on semiconductor test handling equipment. There was no significant customer-sponsored product development during these years.

We work closely with our key customers to make improvements on 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

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 affect and is not expected to have a material affect upon the capital expenditures, results of operations or competitive position of Cohu.

EMPLOYEES

At December 31, 1999 we had approximately 1,300 employees. 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. We consider our relations with our employees to be good.

BUSINESS AND MARKET RISKS

INDUSTRY CYCLES

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 affect 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 may also be subject to similar cycles and severe downturns, such as those experienced in 1996 and 1998. Reductions in capital equipment investment by semiconductor manufacturers will adversely affect our financial position and results of operations.

RAPID TECHNOLOGICAL CHANGE AND NEW PRODUCTS

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 increases the risk that existing products will become obsolete resulting in greater excess and obsolete inventory exposure. This increased exposure may result in increased inventory reserve requirements, similar to or in excess of those recorded in 1998, that could have a material adverse impact on our financial condition and results of operations.

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 products 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. No assurance can be made that we will accurately assess the semiconductor industry's future test handler requirements and 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 materially 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. During 1998 and 1999 we experienced difficulties in manufacturing and volume production of our new test handlers. In addition, after sale support and warranty costs are typically greater with new test handlers than with established products. There can be no assurance that future technologies, processes and product developments will not render our current or future product offerings obsolete or that we will 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, there is no assurance that we will realize acceptable profit margins on such products.

HIGHLY COMPETITIVE INDUSTRY

The semiconductor equipment industry is intensely competitive and we face substantial competition from numerous companies throughout the world. While we believe we are the largest U.S. based 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. Failure to introduce new products in a timely manner, the introduction by 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 existing products.

CUSTOMER CONCENTRATION

As is common in the semiconductor equipment industry, we rely on a limited number of customers for a substantial percentage of our net sales. In 1999, four customers of the semiconductor equipment segment accounted for 46% (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 third parties 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.

BACKLOG

Our order backlog rose significantly during 1999 primarily as a result of the improved business conditions in the semiconductor equipment industry and strong demand for our new pick-and-place test handler products. A significant portion of our semiconductor test handling equipment backlog at December 31, 1999 was for new products, including the Castle and Summit test handlers. 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 and failure to satisfy customer acceptance 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 could have a material adverse affect on our business, financial condition and results of operations.

DEMANDS ON 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 and other semiconductor equipment manufacturers. 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. 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 people they replace. 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. No assurance can be given that we will continue to successfully adjust our production capacity to meet customers' changing requirements. The inability to meet such requirements will have an adverse impact on our financial position and results of operations.

DECLINE IN GRAVITY-FEED IC TEST HANDLER SALES

Sales of gravity-feed IC test handlers used in DRAM testing have represented a significant percentage of Cohu's total semiconductor equipment related revenue during the last five years. 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. We introduced our Enterprise handler in 1998 that employs a handling technique, known as test-in-tray, that is particularly suited for parallel test applications like DRAMs. While the benefits of test-in-tray may be significant and we sold a significant number of these handlers in 1998, market acceptance of this product has been very limited and the future use of this technology is uncertain. 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.

DEPENDENCE ON KEY SUPPLIERS

We use numerous vendors to supply parts, components and subassemblies for the manufacture of our products. While we make reasonable efforts to ensure that parts are available from multiple suppliers, this is not always possible; as a result, certain key parts may be obtained 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. Cohu has experienced problems in obtaining adequate and reliable quantities of various parts and components from certain key suppliers. There can be no assurance that our results of operations will not be materially and adversely impacted if we do not receive sufficient parts to meet our requirements in a timely and cost effective manner.

INTELLECTUAL PROPERTY

Cohu relies on patent, copyright, trademark and trade secret laws to establish and maintain proprietary rights in our technology and products. However, there can be no assurance that any of our proprietary rights will not be challenged, invalidated or circumvented, or that any such rights will 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 financial condition and results of operations could be adversely affected.

FOREIGN SALES

During 1999, 63% of our total net sales were exported to foreign countries, including 72% 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, 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.

NON SEMICONDUCTOR EQUIPMENT BUSINESSES

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 significant decline in the operating results of these businesses over the last several years and the future prospects for certain of these businesses remain uncertain. No assurance can be given that we will continue to compete successfully in any of these businesses.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At December 31, 1999 our investment portfolio includes fixed-income securities of approximately $66.6 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 10 percent increase in interest rates would have no material impact on our financial condition or results of operations.

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 10 percent change in foreign exchange rates would not have a material impact on our financial condition or results of operations.

YEAR 2000 RISKS

In prior periods, we discussed the nature and progress of our plans to become Year 2000 ready. In late 1999, we completed the remediation and testing of our mission critical systems. Through January 2000, we have experienced no significant disruptions in mission critical information technology and non-information technology systems and believe those systems successfully responded to the Year 2000 date change. Cohu expensed approximately $500,000 in connection with remediating our systems. We are not aware of any material problems resulting from Year 2000 issues, either with our products, our internal systems or the products and services of third parties. We will continue to monitor our mission critical computer applications and those of our suppliers and vendors throughout the year 2000.

If significant yet to be identified Year 2000 issues arise, we may experience significant problems that could have a material adverse affect on our financial condition and results of operations. Litigation regarding Year 2000 issues is possible. It is uncertain whether, or to what extent, we may be affected by such litigation.

Due to all the above and other factors, historical results may not be indicative of results of operations for any future period. In addition, certain matters discussed above are forward-looking statements that are subject to the risks and uncertainties noted herein and the other risks and uncertainties listed from time to time in our filings with the Securities and Exchange Commission, including but not limited to the 1999 Annual Report on Form 10-K, that could cause actual results to differ materially from those projected or forecasted. Cohu undertakes no obligation to update the information, including the forward-looking statements, in this Form 10-K.

ITEM 2. PROPERTIES

Certain information concerning Cohu's principal properties at December 31, 1999 identified by business segment is set forth below:

LOCATION	APPROXIMATE SQ. FOOTAGE	OWNERSHIP
Littleton, MA. (1)	102,000	Owned
San Diego, CA. (1)	52,000	Owned
San Diego, CA. (1)	52,000	Owned
San Diego, CA (1)	52,000	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

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.

In May 1996 Cohu acquired approximately 12 acres of land in Poway, California. The land is being held for future expansion needs although no such expansion is currently contemplated.

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 and ages of and the positions and offices held by all executive officers and significant employees of Cohu as of February 15, 2000. Executive Officers serve at the discretion of the Board of Directors, until their successors are appointed.

NAME	AGE	POSITION
EXECUTIVE OFFICERS:		
Charles A. Schwan	60	Chairman & Chief Executive Officer, Director
James A. Donahue	51	President & Chief Operating Officer, Director
John H. Allen	48	Vice President, Finance & Chief Financial Officer, Secretary
SIGNIFICANT EMPLOYEES:		
James M. Brown	62	President, Cohu Electronics Division
Graham Bunney	44	President, BMS
Roger A. Cimino	52	President, FRL

Mr. Schwan has been employed by Cohu since 1971 and became President & Chief Executive Officer on March 1, 1996. Mr. Schwan had been Treasurer since 1972, Vice President, Finance since 1983 and Executive Vice President & Chief Operating Officer since September 1995. In July 1999 Mr. Schwan was appointed Chairman of the Board. Mr. Schwan has been a member of the Board of Directors since 1990 and served as Secretary from 1988 until September 1995.

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.

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

Information regarding the market prices of Cohu's stock, markets for that stock, the number of stockholders and dividend information is contained on the inside back cover of the 1999 Annual Report to Stockholders under " Cohu Stock Information". Such information is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

"Selected Financial Data" on page 2 of the 1999 Annual Report to Stockholders is incorporated herein by reference.

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

"Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 13 through 16 of the 1999 Annual Report to Stockholders is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information regarding Cohu's market risk is set forth under "Quantitative and Qualitative Disclosures About Market Risk" on page 16 of the 1999 Annual Report to Stockholders and on page 10 of this report and is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements of Cohu, including the report thereon of Ernst & Young LLP, on pages 6 through 12 and the unaudited Quarterly Financial Data contained on the inside back cover of the 1999 Annual Report to Stockholders is incorporated herein by reference.

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 2000 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

Information regarding certain relationships and related transactions is set forth in the Proxy Statement under "Certain Relationships and Related Transactions" and is incorporated herein by reference.

PART IV

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

(a) 1. Financial Statements

The financial statements listed in the accompanying index to financial statements and financial statement schedules are incorporated herein by reference as part of this Annual Report on Form 10-K.

2. Financial Statement Schedules

The financial statement schedule listed in the accompanying index to financial statements and financial statement schedules is filed as part of this Annual Report on Form 10-K.

3. Exhibits

The exhibits listed in the accompanying index to exhibits are filed or incorporated herein by reference as part of this Annual Report on Form 10-K.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended December 31, 1999.

COHU, INC.
INDEX TO FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULES

(Item 14(a))

All other schedules are omitted because they are not required, are not applicable, or because the information required is included in the consolidated financial statements and the notes thereto.

The consolidated financial statements listed in the above index which are included in the Annual Report to Stockholders of Cohu, Inc. for the year ended December 31, 1999 are incorporated herein by reference. With the exception of the pages listed in the above index and the Items referred to in Items 1, 5, 6, 7, 7A and 8, the 1999 Annual Report to Stockholders is not to be deemed filed as part of this report.

COHU, INC.
INDEX TO EXHIBITS
(Item 14(a) 3)

EXHIBIT	DESCRIPTION
3.1	Amended and Restated Certificate of Incorporation of Cohu, Inc., incorporated herein by reference from the Cohu Form 10-Q for the quarter ended June 30, 1999, Exhibit 3.1(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	Termination Agreement between Cohu, Inc. and Charles A. Schwan, incorporated herein by reference from the Cohu 1990 Form 10-K, Exhibit 10.5*
10.3	The Cohu, Inc. 1992 Stock Option Plan, incorporated herein by reference from the Cohu Proxy Statement for its 1992 Annual Meeting of Stockholders*
10.4	The Cohu, Inc. 1994 Stock Option Plan, incorporated herein by reference from the Cohu Proxy Statement for its 1995 Annual Meeting of Stockholders*
10.5	The Cohu, Inc. 1996 Stock Option Plan, incorporated herein by reference from the Cohu Proxy Statement for its 1996 Annual Meeting of Stockholders*
10.6	Business Loan Agreement between Bank of America National Trust and Savings Association 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
10.6.1	Amendment No. 1 to Business Loan Agreement dated May 19, 1999 between Cohu, Inc. and Bank of America National Trust and Savings Association, incorporated herein by reference from the Cohu Form 10-Q for the quarter ended June 30, 1999, Exhibit 10.1
10.7	Termination Agreement between Cohu, Inc. and John H. Allen, incorporated herein by reference from the Cohu 1996 Form 10-K, Exhibit 10.11*
10.8	The Cohu, Inc. 1996 Outside Directors Stock Option Plan, incorporated herein by reference from the Cohu 1996 Form 10-K, Exhibit 10.12*
10.9	The Cohu, Inc. 1997 Employee Stock Purchase Plan, incorporated herein by reference from the Cohu 1996 Form 10-K, Exhibit 10.13*
10.10	The Cohu, Inc. Key Executive Long Term Incentive Plan incorporated herein by reference from the Cohu 1997 Form 10-K, Exhibit 10.13*
10.11	The Cohu, Inc. 1998 Stock Option Plan incorporated herein by reference from the Cohu 1997 Form 10-K, Exhibit 10.14*
10.12	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*

COHU, INC.

INDEX TO EXHIBITS
(Item 14(a) 3)

EXHIBIT	DESCRIPTION
10.13	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.
13	1999 Annual Report to Stockholders (Provided for information only except as specifically incorporated by reference)
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
27	Financial Data Schedule

* 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 3, 2000

By /s/ Charles A. Schwan
Charles A. Schwan
Chairman of the Board & 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 & Chief Executive Officer, Director (Principal Executive Officer)	March 3, 2000
/s/ James A. Donahue James A. Donahue	President & Chief Operating Officer, Director	March 3, 2000
/s/ John H. Allen John H. Allen	Vice President, Finance & Chief Financial Officer, Secretary (Principal Financial & Accounting Officer)	March 3, 2000
/s/ James W. Barnes James W. Barnes	Director	March 3, 2000
/s/ Harry L. Casari Harry L. Casari	Director	March 3, 2000
/s/ Frank W. Davis Frank W. Davis	Director	March 3, 2000
/s/ Harold Harrigian Harold Harrigian	Director	March 3, 2000
/s/ Gene E. Leary Gene E. Leary	Director	March 3, 2000

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, 1997	$ 1,827	$ 148	$ 187	$ 1,788
Year ended December 31, 1998	$ 1,788	$ 147	$ 597	$ 1,338
Year ended December 31, 1999	$ 1,338	$ 823	$ 180	$ 1,981
Reserve for excess and obsolete inventory:				
Year ended December 31, 1997	$ 15,690	$ 1,471	$ 2,067	$ 15,094
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

EXHIBIT 13

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COMPANY PROFILE

Cohu, Inc. ("Cohu") is the largest U.S. based and one of the world's largest suppliers of test handling equipment used by semiconductor manufacturers in final test operations. Cohu also manufactures closed circuit television, metal detection and microwave radio equipment.

FINANCIAL HIGHLIGHTS
(in thousands, except per share data)

	1999	1998
OPERATIONS:		
ORDERS	$253,571	$144,122
NET SALES	208,780	171,511
NET INCOME	25,926	11,646
EARNINGS PER SHARE*:		
BASIC	1.31	.60
DILUTED	1.26	.58
BALANCE SHEET:		
CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS	81,600	86,703
WORKING CAPITAL	146,050	120,143
TOTAL ASSETS	220,733	162,231
STOCKHOLDERS' EQUITY	162,356	137,463

* Adjusted for two-for-one stock split effective September 1999

(GRAPH)

YEAR	ORDERS (in millions)	SALES (in millions)	NET INCOME (in millions)	STOCKHOLDERS' EQUITY (in millions)
1995	189.4	178.8	23.6	72.0
1996	147.9	159.4	24.2	96.3
1997	209.3	187.8	29.2	126.2
1998	144.1	171.5	11.6	137.5
1999	253.6	208.8	25.9	162.4

FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements, including expectations of market demand, hallenges 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" 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 14 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.

LETTER TO STOCKHOLDERS:

Sales for 1999 were a record $208.8 million compared to $171.5 million for 1998. Net income for 1999 was $25.9 million or $1.26 per share, compared to $11.6 million or $.58 per share in 1998.

Orders for 1999 were a record $253.6 million compared to $144.1 million in 1998. Backlog at the end of 1999 was $72.9 million compared to year end 1998 backlog of $28.1 million.

Sales of test handling equipment increased 28% from 1998 levels and accounted for 84% of 1999 total sales. Sales of television cameras and related equipment accounted for 10% of sales and metal detection and microwave equipment contributed 6% of sales.

The record sales and orders in 1999 were due to the strength of the semiconductor equipment industry and strong demand for Cohu's test handler products, including our new Castle and Summit handlers.

International sales for 1999 were $132.1 million compared to 1998 international sales of $74.9 million and accounted for 63% of consolidated sales compared to 44% for the prior year. The largest segment of international sales is supported by our subsidiary located in Singapore with additional service personnel located throughout Southeast Asia.

While semiconductor and semiconductor equipment year to year forecasts are subject to a great deal of inaccuracy, semiconductor content in a wide variety of products continues to grow resulting in increased demand over the long-term for semiconductors and related capital equipment. Cohu's objective is to provide advanced, cost-effective solutions and superior technical support and services to our customers.

Dividends of $3.6 million or $.18 per share were paid in 1999, the 21st consecutive year of cash dividend payments and the 13th year in a row in which dividends were increased.

(PHOTO)

We wish to thank our shareholders and customers for their continued support and express our appreciation to our employees and suppliers, without whose extraordinary efforts we could not have achieved our record results.

Sincerely,

Charles A. Schwan
Chairman & Chief Executive Officer
January 27, 2000

This Annual Report is dedicated to the memory of William Ivans, Cohu's former Chairman, who was killed in a glider plane accident in July. Bill had been associated with Cohu for over 40 years and was President and CEO from 1965 to 1983.

SELECTED FINANCIAL DATA

(in thousands, except per share data)

FOR THE YEARS ENDED DECEMBER 31	1999	1998	1997	1996	1995
Net sales:					
Semiconductor equipment	$ 175,140	$ 136,323	$ 152,668	$ 126,236	$ 146,093
Television cameras	21,330	21,001	23,553	22,298	21,570
Net sales for reportable segments	196,470	157,324	176,221	148,534	167,663
All other	12,310	14,187	11,535	10,819	11,096
Total consolidated net sales	$ 208,780	$ 171,511	$ 187,756	$ 159,353	$ 178,759
Operating profit (loss):					
Semiconductor equipment	$ 35,715	$ 14,213	$ 41,167	$ 35,298	$ 37,704
Television cameras	1,891	1,570	3,056	2,866	2,280
Operating profit for reportable segments	37,606	15,783	44,223	38,164	39,984
All other	(792)	(1,094)	159	145	(14)
Total consolidated operating profit	36,814	14,689	44,382	38,309	39,970
Other unallocated amounts:					
Corporate expenses	(1,871)	(955)	(1,337)	(1,273)	(1,051)
Interest income	4,271	3,469	2,999	1,960	704
Interest expense	--	--	--	--	(12)
Goodwill amortization and write-down	(288)	(1,157)	(157)	(157)	(689)
Income before income taxes	38,926	16,046	45,887	38,839	38,922
Provision for income taxes	13,000	4,400	16,700	14,600	15,300
Net income	$ 25,926	$ 11,646	$ 29,187	$ 24,239	$ 23,622
Earnings per share*:					
Basic	$ 1.31	$ .60	$ 1.55	$ 1.31	$ 1.32
Diluted	1.26	.58	1.47	1.25	1.23
Cash dividends per share, paid quarterly*	$ .18	$ .16	$ .12	$ .10	$ .08
Depreciation and amortization deducted in arriving at operating profit:					
Semiconductor equipment	$ 2,303	$ 1,953	$ 1,321	$ 833	$ 620
Television cameras	468	424	420	410	387
All other	235	265	250	253	188
	3,006	2,642	1,991	1,496	1,195
Goodwill amortization	288	157	157	157	689
	$ 3,294	$ 2,799	$ 2,148	$ 1,653	$ 1,884
Capital expenditures:					
Semiconductor equipment	$ 1,828	$ 1,356	$ 3,513	$ 3,586	$ 4,932
Television cameras	452	162	341	294	192
All other	129	208	275	1,256	163
	$ 2,409	$ 1,726	$ 4,129	$ 5,136	$ 5,287
AT DECEMBER 31					
Total assets by segment:					
Semiconductor equipment	$ 115,671	$ 50,754	$ 79,978	$ 39,981	$ 48,708
Television cameras	11,758	8,728	10,696	10,573	10,886
Total assets for reportable segments	127,429	59,482	90,674	50,554	59,594
All other operating segments	5,419	7,537	8,307	7,449	8,240
Corporate	87,885	95,212	63,911	59,923	36,100
Total consolidated assets	$ 220,733	$ 162,231	$ 162,892	$ 117,926	$ 103,934
Working capital	$ 146,050	$ 120,143	$ 106,201	$ 78,003	$ 57,228
Stockholders' equity	162,356	137,463	126,211	96,272	72,029

* Adjusted for two-for-one stock split effective September 1999

SEMICONDUCTOR TEST HANDLING EQUIPMENT

Cohu's Delta Design ("Delta") subsidiary is the largest U.S. based and second largest worldwide supplier of test handling equipment to the semiconductor industry. Test handlers are electromechanical systems that automate the testing of integrated circuits (ICs). Testing is an essential part of the IC manufacturing process. Test handlers, connected to automatic test equipment (ATE), provide an efficient method for verifying the quality and characterizing the performance of ICs before shipment to customers.

Delta's handlers are engineered to provide a precisely-controlled test environment, over the range -60 degrees C to +160 degrees C, as most ICs are tested at hot or cold temperatures to verify their performance under extreme operating conditions. Test handlers mainly use gravity-feed or pick-and-place technologies. 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. After being tested, the devices are sorted and reloaded into tubes or magazines for additional process steps or for shipment. Gravity-feed handling is simple, reliable and fast and is the preferred technique for devices with leads on only two sides, such as the dual-in-line (DIP) and small outline (SOIC). ICs with leads on all four sides, such as the Quad Flat Pack (QFP) and certain ICs with fragile leads, such as the thin small outline package (TSOP), cannot be processed in gravity systems. Instead, pick-and-place systems, which handle devices individually, thereby providing protection for the leads, are used. In pick-and-place systems, ICs are automatically removed from waffle-like, plastic trays, placed in precision transport boats, or carriers and processed through the system. After testing, the devices are sorted and reloaded into designated trays, based on test results.

Delta offers semiconductor manufacturers a broad line of both pick-and-place and gravity test handling equipment. The Nitro Flex (Flex) is an industry workhorse. More Flexes have been sold than any other logic pick-and-place test handler. Through Delta's continuous product improvement process, the Flex has been successfully adapted to meet the evolving needs of IC manufacturers. The Model 2040 RFS(TM) is a fast-index time pick-and-place handler, designed for high production applications. The RFS(TM) utilizes a patented contactor indexing mechanism to deliver among the highest throughputs of any logic pick-and-place handler available today. The Delta 1688 is an ambient pick-and-place system that uses the same fast contactor indexing mechanism as the RFS(TM). During 1999, the 1688 gained widespread use among manufacturers of ICs for the communications and RF markets. Delta's 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 make efficient use of their manufacturing floorspace. The system is available in configurations tailored for handling logic or memory devices. The Castle Mx32, which can test up to 32 devices in parallel, including chip scale packages (CSPs), is being used in the emerging market for high-speed memory ICs. Castle Lx, for logic applications, is Delta's next generation logic handling platform. Delta's newest handler, Summit, is the market leader in handling advanced microprocessors and other high speed, high power devices. Summit utilizes an innovative system to control test temperatures and dissipate the considerable heat generated by these devices during test.

Delta manufactures three lines of gravity test handlers: the 717 Series, 3000 Series and 4000 Series. The 717 handles SOIC devices used by communications and wireless IC manufacturers and is an industry leader in the growing market for handling high frequency ICs. The 3000 Series handlers are engineered for larger ICs and for parallel test applications. Like the Flex handler, the 3287 has been successfully adapted as test requirements and IC packaging have changed. The 4000 Series, capable of processing up to 18,000 units per hour, combines the high speed SOIC handling of the 717 Series with the multi-site capability of the 3000 Series.

In 1998, the semiconductor and semiconductor equipment industries experienced one of the worst slumps in history. However, business rebounded sharply in 1999, driven by broad-based growth in semiconductor markets, strong PC demand and advances in wireless communications. At Delta, with our strong customer base, including many of the world's largest and fastest growing IC manufacturers, this meant a rapid and steep increase in orders for our products. For the first time in Delta's history, orders in 1999 exceeded $200 million. We

increased manufacturing capacity significantly and from Q1 to Q4, the dollar value and unit volume of shipments more than tripled. To support this growth, our workforce more than doubled during 1999. Geographically, handler related sales were distributed 68% in Asia, 29% in North America and 3% to the rest of the world. The percentage of shipments to Southeast Asia has grown steadily, as IC manufacturers continue to focus their test expansion in that region. Our extensive, Southeast Asia service, sales and applications engineering organization deployed at more than fifteen locations throughout the region, enables us to provide our customers with unmatched support and is a powerful competitive advantage.

The semiconductor industry is in a period of accelerated change as industry experts 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, the semiconductor industry is introducing smaller IC packages at a faster rate than anytime in its history. ICs, such as CSPs are highly efficient, as they are only slightly larger than the circuitry packaged inside. Market forecasters predict that IC unit volumes will grow at a rate of twenty percent or more for the next several years. Delta 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.

(PHOTO)

SUMMIT TEST HANDLER

While these are formidable challenges, Delta has never been in a stronger position, with solid financials, leading products and a global infrastructure to meet the requirements of our multinational customers. New products are in development for our two major markets today - pick-and-place and gravity. Additionally, we are investing in a new handling approach, non-singulated test, which we believe will develop into a measurable market segment within the next several years.

On January 1, 2000, we united our operations, Delta Design (San Diego, CA) and Daymarc (Littleton, MA) under the Delta Design name. With this alignment, we can more effectively leverage the significant capabilities and resources of our organization to meet the needs and expectations of our customers. For example, as a result of the steep ramp in our handler business, we successfully transferred production of our Model 1688 pick-and-place handler from our San Diego plant to our Littleton facility. This move helped maximize our production output and enabled us to keep pace with unprecedented demand for our products.

ELECTRONICS DIVISION (TELEVISION CAMERAS)

Cohu's Electronics Division has been a leading American designer and manufacturer of closed circuit television ("CCTV") cameras and systems for more than forty years. Our customer base for these products is broadly distributed between machine vision, scientific imaging and security/surveillance markets.

Cohu's product line represents a comprehensive array of indoor and outdoor CCTV cameras and camera control equipment. We are most readily differentiated from the competition by our willingness and ability to create quality products that solve a customer's unique requirements. Cohu's long established role in advanced CCTV technology is based on a continuing commitment to quality, product performance and customer support.

Drawing on their flexibility and reliability, Cohu cameras continue to find new applications. CCTV

solutions have been created for such diverse requirements as aircraft in-flight safety and entertainment, explosives detection, border control and underground pipe inspection. Cohu completed and delivered a major CCTV system consisting of cameras and video accessories for monitoring petroleum processing in the Middle East. This project illustrates our ability to design complex video systems that integrate products and resources from multiple vendors.

Cohu manufactures video cameras for a number of Original Equipment Manufacturer ("OEM") customers that integrate our components into their products. The OEM sales team helps customers meet automated assembly challenges. The rebound of the semiconductor industry is reflected in increased orders for machine vision components. In addition to standard CCTV cameras, Cohu is capable of designing and manufacturing custom or special-purpose cameras for process automation, including pick-and-place, assembly and test and measurement. The product line includes cameras that are integrated into systems for fluorescing gel analysis, medical research and x-ray.

Other distribution channels for television products include direct sales to end users, contractors and value-added resellers. In 1999 Cohu won a number of contracts for traffic surveillance cameras, including systems in Wisconsin, Texas and Georgia. Cohu cameras will be used to monitor highways leading to the 2002 Winter Olympic venues near Salt Lake City, Utah. In addition to sales of standard cameras to state and federal highway departments, Cohu is an OEM provider to a key manufacturer of wide area detection products for traffic control.

We continue to pursue opportunities in the international market through distributors, contractors and OEM accounts. Sales efforts will be focused on process monitoring, security, large projects and advanced imaging applications.

Cohu has been involved with a number of large-scale construction projects where specialized design expertise is provided to major engineering firms. Installations include process monitoring for waste handling, water works and hazardous material and facility security.

We are registered compliant to ISO-9001 standards, the most rigid of five levels of standards in the ISO 9000 series. ISO registration is a competitive advantage in market areas where ISO 9000 is heavily supported, such as Europe and the Middle East.

In 2000, key markets for Cohu CCTV products are expected to include applications for transportation, machine vision, microscopy and surveillance.

OTHER BUSINESSES

Fisher Research Laboratory ("FRL") designs, manufactures and sells metal detectors and other underground detection devices for industrial and consumer markets.

Industrial products include pipe and cable locators, water leak detectors, property marker locators and instruments for locating reinforcing bars in concrete. FRL's XLT-20 water leak detector can detect the sound of escaping water and pinpoint small leaks in buried pipes to a depth of six feet.

Consumer metal detectors include models for prospectors, relic hunters, sport divers and weekend treasure hunters. As with the industrial line, FRL's consumer products have a well earned reputation for quality, performance and durability. As a result, several of the models designed for hobby use are also used by law enforcement agencies, archaeologists and professional treasure salvors.

Broadcast Microwave Services, Inc. ("BMS") manufactures high quality microwave radio transmitters, receivers, antenna systems and related support items. These products are used in the transmission of telemetry, data, video and audio signals. BMS customers include government test ranges, law enforcement agencies, unmanned air vehicle programs and television broadcasters.

CONSOLIDATED BALANCE SHEETS

(in thousands, except par value)

ASSETS	December 31, 1999	1998
Current assets:		
Cash and cash equivalents	$ 55,954	$ 74,446
Short-term investments	25,646	12,257
Accounts receivable less allowance for doubtful accounts of $1,981 in 1999 and $1,338 in 1998	52,262	18,800
Inventories:		
Raw materials and purchased parts	21,257	12,977
Work in process	18,768	5,927
Finished goods	15,621	6,973
	55,646	25,877
Deferred income taxes	11,231	10,477
Prepaid expenses	2,030	1,541
Total current assets	202,769	143,398
Property, plant and equipment, at cost:		
Land and land improvements	2,501	2,501
Buildings and building improvements	12,507	12,102
Machinery and equipment	19,849	17,801
	34,857	32,404
Less accumulated depreciation and amortization	17,841	14,791
Net property, plant and equipment	17,016	17,613
Goodwill, net of accumulated amortization of $2,260 in 1999 and $1,972 in 1998	867	1,155
Other assets	81	65
	$220,733	$162,231
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 13,042	$ 3,016
Income taxes payable	6,778	3,070
Accrued compensation and benefits	7,954	5,369
Accrued warranty	5,738	4,060
Customer advances	18,530	3,978
Other accrued liabilities	4,677	3,762
Total current liabilities	56,719	23,255
Accrued retiree medical benefits	984	993
Deferred income taxes	674	520
Commitments		
Stockholders' equity:		
Preferred stock, $1 par value; 1,000 shares authorized, none issued	--	--
Common stock, $1 par value; 40,000 shares authorized, 19,938 shares issued and outstanding in 1999 and 9,779 shares in 1998	19,938	9,779
Paid in excess of par	3,539	11,169
Retained earnings	138,879	116,515
Total stockholders' equity	162,356	137,463
	$220,733	$162,231

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share amounts)

	Years ended December 31,		
	1999	1998	1997
Net sales	$208,780	$171,511	$187,756
Cost and expenses:			
Cost of sales	126,712	116,427	105,991
Research and development	20,534	20,400	17,513
Selling, general and administrative	26,879	21,107	21,364
Goodwill write-down	--	1,000	--
	174,125	158,934	144,868
Income from operations	34,655	12,577	42,888
Interest income	4,271	3,469	2,999
Income before income taxes	38,926	16,046	45,887
Provision for income taxes	13,000	4,400	16,700
Net income	$ 25,926	$ 11,646	$ 29,187
Earnings per share:			
Basic	$ 1.31	$ .60	$ 1.55
Diluted	$ 1.26	$ .58	$ 1.47
Weighted average shares used in computing earnings per share:			
Basic	19,763	19,452	18,874
Diluted	20,502	19,940	19,900

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Years ended December 31, 1999	1998	1997
Cash flows from operating activities:			
Net income	$ 25,926	$ 11,646	$ 29,187
Adjustments to reconcile net income to net cash provided from operating activities:			
Depreciation and amortization	3,294	2,799	2,148
Loss on asset write-downs and disposals	--	420	--
Goodwill write-down	--	1,000	--
Purchase consideration paid with stock	--	--	551
Deferred income taxes	(600)	(636)	204
Increase (decrease) in accrued retiree medical benefits	(9)	(11)	88
Changes in assets and liabilities:			
Accounts receivable	(33,462)	13,134	(12,764)
Inventories	(29,769)	19,022	(29,317)
Prepaid expenses	(489)	(63)	(312)
Accounts payable	10,026	(13,150)	11,702
Income taxes payable	4,120	49	2,669
Customer advances	14,552	3,978	--
Accrued compensation, warranty and other liabilities	5,178	(2,551)	1,176
Net cash provided from (used for) operating activities	(1,233)	35,637	5,332
Cash flows from investing activities:			
Purchases of short-term investments	(22,429)	(21,280)	(23,779)
Maturities of short-term investments	9,040	22,837	38,291
Purchases of property, plant and equipment	(2,409)	(1,726)	(4,129)
Other assets	(16)	36	(40)
Net cash provided from (used for) investing activities	(15,814)	(133)	10,343
Cash flows from financing activities:			
Issuance of stock, net	2,117	2,322	1,671
Dividends paid	(3,562)	(3,116)	(2,270)
Net cash used for financing activities	(1,445)	(794)	(599)
Net increase (decrease) in cash and cash equivalents	(18,492)	34,710	15,076
Cash and cash equivalents at beginning of year	74,446	39,736	24,660
Cash and cash equivalents at end of year	$ 55,954	$ 74,446	$ 39,736
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Income taxes, net of refunds	$ 9,480	$ 5,191	$ 13,827

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands, except par value and per share amounts)

	Years ended December 31, 1999, 1998 and 1997			
	Common stock $1 par value	Paid in excess of par	Retained earnings	Total
Balance at December 31, 1996	$ 9,341	$ 5,863	$ 81,068	$ 96,272
Cash dividends - $.12 per share	--	--	(2,270)	(2,270)
Daymarc acquisition	18	533	--	551
Repurchase and retirement of stock	(3)	(67)	--	(70)
Exercise of stock options	185	1,350	--	1,535
Shares issued under employee stock purchase plan	8	198	--	206
Tax benefit from stock options	--	800	--	800
Net income	--	--	29,187	29,187
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

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRESENTATION - The consolidated financial statements include the accounts of Cohu, Inc. and its wholly-owned subsidiaries (the "Company"). All significant intercompany accounts and balances have been eliminated in consolidation. Certain amounts in the December 31, 1998 consolidated balance sheet have been reclassified to conform to the 1999 presentation.

INVESTMENTS - Highly liquid investments with insigni-ficant 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, 1999 and 1998. 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 reduced.

STOCK SPLIT - On August 19, 1999, the Company's Board of Directors authorized a two-for-one stock split in the form of a 100% stock dividend that was paid September 24, 1999, to stockholders of record on September 3, 1999. All per share and certain share amounts included herein have been restated to reflect the split.

EARNINGS PER SHARE - Earnings per share are computed in accordance with FASB Statement No. 128, 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 1999 and 1998 options to purchase 100,000 and 476,000 shares, respectively, of common stock at average exercise prices of $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:

(in thousands)	1999	1998	1997
Weighted average common shares outstanding	19,763	19,452	18,874
Effect of dilutive stock options	739	488	1,026
	20,502	19,940	19,900

REVENUE RECOGNITION - Revenue is generally recognized upon shipment or, in instances where products are required to meet certain customer requirements, upon successful completion of such requirements. During 1999 the Company shipped a significant number of its new Summit test handlers. At December 31, 1999 the Summit handlers had not met certain customer acceptance requirements. In accordance with Staff Accounting Bulletin No. 101, revenue on these shipments will be recognized in 2000 upon customer acceptance. Customer payments received on these shipments totaling approximately $18.5 million at December 31, 1999 have been 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 generally accepted accounting principles 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.

2. 1998 FOURTH QUARTER ADJUSTMENTS

In the fourth quarter of 1998 the Company recorded net pretax charges for inventory and related reserves of approximately $3,500,000 and a goodwill write-down of $1,000,000 primarily as a result of changes in customer demand for certain semiconductor handler products. In addition, the credit for income taxes in the fourth quarter of 1998 was favorably affected by approximately $1,000,000 as a result of the settlement of tax examinations for earlier years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. INVESTMENTS

Investments at December 31, 1999 and 1998, were as follows:

(in thousands)	1999	1998
Corporate debt securities	$ 66,552	$ 79,554
Less amounts classified as cash equivalents	(40,906)	(67,297)
Short-term investments	$ 25,646	$ 12,257

At December 31, 1999 and 1998 the estimated fair value of the Company's investments approximated amortized cost. Except for $3,260,000 of investments at December 31, 1999 that mature in 2001, all investments mature in 2000.

4. LINE OF CREDIT

The Company maintains a $10,000,000 unsecured bank line-of-credit facility bearing interest at the bank's prime reference rate. The facility requires compliance with certain financial covenants and expires in May 2000. No borrowings were outstanding at December 31, 1999 or 1998.

5. INCOME TAXES

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

(in thousands)	1999	1998	1997
Current:			
Federal	$ 11,734	$ 4,329	$ 14,131
State	1,866	707	2,365
Total current	13,600	5,036	16,496
Deferred:			
Federal	(674)	(478)	189
State	74	(158)	15
Total deferred	(600)	(636)	204
	$ 13,000	$ 4,400	$ 16,700

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:

(in thousands)

	December 31, 1999	1998
Deferred tax assets:		
Reserves and accrued warranty costs	$ 9,850	$ 9,531
Accrued state income taxes	482	203
Accrued employee benefits	1,278	1,164
Other	520	573
Total deferred tax assets	12,130	11,471
Deferred tax liabilities:		
Tax over book depreciation	1,573	1,514
Net deferred tax assets	$ 10,557	$ 9,957

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

(in thousands)	1999	1998	1997
Tax at U.S. statutory rate	$ 13,624	$ 5,616	$ 16,060
State income taxes, net of federal tax benefit	1,261	357	1,547
FSC benefit	(1,487)	(641)	(1,477)
Nondeductible goodwill and performance-based consideration expense	101	405	248
Settlement of prior year tax examinations	--	(1,049)	--
Other - net	(499)	(288)	322
	$ 13,000	$ 4,400	$ 16,700

6. 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.

7. 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 84% of net sales in 1999. 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 10% of net sales in 1999. 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 1999, 1998, and

1997 contained in the Selected Financial Data on page 2 is an integral part of these 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:

	1999	1998	1997
Customer A	24%	22%	17%
Customer B	12%	9%	8%
Customer C	7%	12%	14%
Customer D	3%	17%	11%

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

(in thousands)	1999	1998	1997
United States	$ 76,715	$ 96,645	$ 90,820
Singapore	25,616	8,101	11,810
China	21,351	9,035	11,790
Taiwan	19,849	6,301	15,157
Malaysia	18,822	19,222	23,210
Philippines	13,363	19,141	14,736
Other foreign countries	33,064	13,066	20,233
Total	$208,780	$171,511	$187,756

8. 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 $1,199,000 in 1999, $1,179,000 in 1998, and $991,000 in 1997. 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 $80,000, $78,000, and $95,000, in 1999, 1998, and 1997, 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, 1999 were not significant. The weighted average discount rate used in determining the accumulated post-retirement benefit obligation was 7.0% in 1999 and 1998, and 7.5% in 1997. Annual rates of increase of the cost of health benefits were assumed to be approximately 8.25% in 2000. These rates were then assumed to decrease 0.25% per year to 6% in 2009 and remain level thereafter. A 1% increase (decrease) in health care cost trend rates would increase (decrease) the 1999 net periodic benefit cost by approximately $10,000 ($10,000) and the accumulated post-retirement benefit obligation as of December 31, 1999 by approximately $140,000 ($100,000).

EMPLOYEE STOCK PURCHASE PLAN - In May 1997 the Company adopted the Cohu, Inc. 1997 Employee Stock Purchase Plan providing 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 1999, 1998 and 1997, 74,995, 70,958, and 15,780 shares, respectively, were issued under the Plan.

The estimated weighted average fair value of purchase rights granted in 1999, 1998 and 1997 was $4.39, $4.51 and $5.26, respectively. The fair value of the purchase rights was estimated using the Black-Scholes option-pricing model with the following assumptions for 1999, 1998 and 1997; risk-free interest rates ranging from 4.4% to 5.3%; dividend yield of 1%; expected life of 6 months and volatility of 54% to 58%.

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. The Cohu, Inc. 1996 Outside Directors Stock Option Plan was approved by the Company's stockholders in May 1997. 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, 1999, 255,850 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 1999, 1998 and 1997 was $6.04, $6.60, and $7.80, 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 1999, 1998, and 1997: risk-free interest rates ranging from 4.2% to 6.6%; dividend yield of 1%; expected life of 4 to 5 years and volatility of 48% to 58%.

Had compensation cost for the Company's stock option and purchase plan grants from 1995 through 1999 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:

(in thousands, except per share)	1999	1998	1997
Pro forma net income	$ 23,593	$ 10,598	$ 28,035
Pro forma earnings per share:			
Basic	1.19	.54	1.49
Diluted	1.17	.54	1.42

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Stock option activity under all option plans was as follows:

(in thousands, except per share data)	1999		1998		1997	
	SHARES	WT. AVG. EX. PRICE	Shares	Wt. Avg. Ex. Price	Shares	Wt. Avg. Ex. Price
Outstanding, beginning of year	1,598	$ 9.47	1,714	$ 8.57	1,678	$ 5.64
Granted	816	12.98	806	13.36	468	15.64
Exercised	(328)	5.58	(390)	4.22	(370)	4.15
Canceled	(175)	11.78	(532)	16.31	(62)	9.36
Outstanding, end of year	1,911	$11.42	1,598	$ 9.47	1,714	$ 8.57
Options exercisable at year end	559	$ 8.87	610	$ 6.22	682	$ 4.77

Information about stock options outstanding at December 31, 1999 is as follows:

(options in thousands)

	Options Outstanding			Options Exercisable	
Range of Exercisable Prices	Number Outstanding at 12/31/99	Approximate Wt. Avg. Remaining Life (Years)	Wt. Avg. Ex. Price	Number Exercisable at 12/31/99	Wt. Avg. Ex. Price
$ 4.03 - 4.85	121	4.6	$ 4.06	121	$ 4.06
7.69 - 12.07	1,476	8.5	10.72	375	9.16
12.19 - 22.00	303	8.6	17.29	63	16.30
22.88 - 27.50	11	9.8	24.30	--	--
	1,911		$ 11.42	559	$ 8.87

9. COMMITMENTS

Rent expense for the years ended December 31, 1999, 1998 and 1997 was $1,006,000, $731,000 and $510,000, respectively. Future minimum lease payments at December 31, 1999 are: 2000 - $1,101,000; 2001 - $568,000; 2002 - $366,000; 2003 - $46,000, totaling $2,081,000.

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, 1999 and 1998, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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, 1999 and 1998, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

San Diego, California
January 26, 2000

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MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

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. In accordance with Staff Accounting Bulletin No. 101, revenue on these shipments will be recognized in 2000 upon customer acceptance. Customer payments received on these shipments totaling approximately $18.5 million at December 31, 1999 have been 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 pre-tax 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.

1998 COMPARED TO 1997

In 1998 Cohu was affected by the worldwide slowdown in demand for semiconductor equipment and as a result net sales decreased 9% to $171.5 million in 1998 compared to net sales of $187.8 million in 1997. Sales of semiconductor equipment in 1998 decreased 11% compared to 1997 and accounted for 80% of consolidated net sales in 1998 versus 81% in 1997. In 1998 sales of television cameras accounted for 12% of sales while the combined sales of metal detection and microwave radio equipment contributed 8% of sales. Export sales accounted for 44% of net sales in 1998 compared to 52% in 1997.

Gross margin as a percentage of net sales declined to 32.1% in 1998 versus 43.5% in 1997 primarily due to lower margins in the semiconductor equipment business. Within the semiconductor equipment segment, margins decreased in 1998 primarily as a result of provisions for warranty and excess inventories, changes in product mix, including new handler products that had significantly lower margins, reduced business volume, sales price reductions and certain cost increases. Research and development expense as a percentage of net sales increased to 11.9% in 1998 compared to 9.3% in 1997 as a result of an increase in new product development efforts in the semiconductor equipment business. Selling, general and administrative expense as a percentage of net sales increased to 12.3% in 1998 from 11.4% in 1997 primarily as a result of the decrease in business volume offset by a reduction in performance-based compensation expense. Interest income was $3.5 million in 1998 and $3.0 million in 1997. The provision for income taxes expressed as a percentage of pre-tax income was 27.4% in 1998 vs. 36.4% in 1997. The decrease in the effective tax rate was largely attributable to a decline in state income taxes and the favorable impact of the settlement of tax examinations for earlier years.

In the fourth quarter of 1998 we 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 handler products. The goodwill write-down was based on an analysis of future estimated undiscounted cash flows. 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.

LIQUIDITY AND CAPITAL RESOURCES

Cohu's net cash flows used for operating activities in 1999 totaled $1.2 million. The major components of cash flows used for operating activities were net income of $25.9 million and increases in accounts payable and customer advances of $10.0 million and $14.6 million, respectively, offset by increases in accounts receivable and inventories of $33.5 million and $29.8 million, respectively. The increases in accounts payable, accounts receivable and inventories were attributable to the increase in sales volume between December

1998 and December 1999. Net cash used for investing activities was $15.8 million in 1999. Cash used for investing activities included an increase in short-term investments of $13.4 million and purchases of property, plant and equipment totaling $2.4 million. Net cash used for financing activities was $1.4 million. Cash used for financing activities included $3.6 million for the payment of dividends offset by $2.1 million

received from the issuance of stock under our stock option and purchase plans. Cohu had $10 million available under our bank line of credit and working capital of $146.1 million at December 31, 1999. We anticipate that present working capital will be sufficient to meet our 2000 operating requirements including any capital expenditures during 2000.

BUSINESS AND MARKET RISKS

INDUSTRY CYCLES

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 affect 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 may also be subject to similar cycles and severe downturns, such as those experienced in 1996 and 1998. Reductions in capital equipment investment by semiconductor manufacturers will adversely affect our financial position and results of operations.

RAPID TECHNOLOGICAL CHANGE AND NEW PRODUCTS

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 increases the risk that existing products will become obsolete resulting in greater excess and obsolete inventory exposure. This increased exposure may result in increased inventory reserve requirements, similar to or in excess of those recorded in 1998, that could have a material adverse impact on our financial condition and results of operations.

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 products 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. No assurance can be made that we will accurately assess the semiconductor industry's future test handler requirements and 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 materially 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. During 1998 and 1999 we experienced difficulties in manufacturing and volume production of our new test handlers. In addition, after sale support and warranty costs are typically greater with new test handlers than with established products. There can be no assurance that future technologies, processes and product developments will not render our current or future product offerings obsolete or that we will 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, there is no assurance that we will realize acceptable profit margins on such products.

HIGHLY COMPETITIVE INDUSTRY

The semiconductor equipment industry is intensely competitive and we face substantial competition from numerous companies throughout the world. While we believe we are the largest U.S. based 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. Failure to introduce new products in a timely manner, the introduction by 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 existing products.

CUSTOMER CONCENTRATION

As is common in the semiconductor equipment industry, we rely on a limited number of customers for a substantial percentage of our net sales. In 1999, four customers of the semiconductor equipment segment accounted for 46% (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 third parties 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.

BACKLOG

Our order backlog rose significantly during 1999 primarily as a result of the improved business conditions in the semiconductor equipment industry and strong demand for our new pick-and-place test handler products. A significant portion of our semiconductor test handling equipment backlog at December 31, 1999 was for new products, including the Castle and Summit test handlers. 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 and failure to satisfy customer acceptance 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 could have a material adverse affect on our business, financial condition and results of operations.

DEMANDS ON 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 and other semiconductor equipment manufacturers. 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. 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 people they replace. 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. No assurance can be given that we will continue to successfully adjust our production capacity to meet customers' changing requirements. The inability to meet such requirements will have an adverse impact on our financial position and results of operations.

DECLINE IN GRAVITY-FEED IC TEST HANDLER SALES

Sales of gravity-feed IC test handlers used in DRAM testing have represented a significant percentage of Cohu's total semiconductor equipment related revenue during the last five years. 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. We introduced our Enterprise handler in 1998 that employs a handling technique, known as test-in-tray, that is particularly suited for parallel test applications like DRAMs. While the benefits of test-in-tray may be significant and we sold a significant number of these handlers in 1998, market acceptance of this product has been very limited and the future use of this technology is uncertain. 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.

DEPENDENCE ON KEY SUPPLIERS

We use numerous vendors to supply parts, components and subassemblies for the manufacture of our products. While we make reasonable efforts to ensure that parts are available from multiple suppliers, this is not always possible; as a result, certain key parts may be obtained 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. Cohu has experienced problems in obtaining adequate and reliable quantities of various parts and components from certain key suppliers. There can be no assurance that our results of operations will not be materially and adversely impacted if we do not receive sufficient parts to meet our requirements in a timely and cost effective manner.

INTELLECTUAL PROPERTY

Cohu relies on patent, copyright, trademark and trade secret laws to establish and maintain proprietary rights in our technology and products. However, there can be no assurance that any of our proprietary rights will not be challenged, invalidated or circumvented, or that any such rights will 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 financial condition and results of operations could be adversely affected.

FOREIGN SALES

During 1999, 63% of our total net sales were exported to foreign countries, including 72% 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, 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.

NON SEMICONDUCTOR EQUIPMENT BUSINESSES

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 significant decline in the operating results of these businesses over the last several years and the future prospects for certain of these businesses remain uncertain. No assurance can be given that we will continue to compete successfully in any of these businesses.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At December 31, 1999 our investment portfolio includes fixed-income securities of approximately $66.6 million. These securities are subject to interest rate risk and will decline in value if interest rates increase. Due tothe relatively short duration of our investment portfolio, an immediate 10 percent increase in interest rates would have no material impact on our financial condition or results of operations.

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 10 percent change in foreign exchange rates would not have a material impact on our financial condition or results of operations.

YEAR 2000 RISKS

In prior periods, we discussed the nature and progress of our plans to become Year 2000 ready. In late 1999, we completed the remediation and testing of our mission critical systems. Through January 2000, we have experienced no significant disruptions in mission critical information technology and non-information technology systems and believe those systems successfully responded to the Year 2000 date change. Cohu expensed approximately $500,000 in connection with remediating our systems. We are not aware of any material problems resulting from Year 2000 issues, either with our products, our internal systems or the products and services of third parties. We will continue to monitor our mission critical computer applications and those of our suppliers and vendors throughout the year 2000.

If significant yet to be identified Year 2000 issues arise, we may experience significant problems that could have a material adverse affect on our financial condition and results of operations. Litigation regarding Year 2000 issues is possible. It is uncertain whether, or to what extent, we may be affected by such litigation.

Due to all the above and other factors, historical results may not be indicative of results of operations for any future period. In addition, certain

matters discussed above are forward-looking statements that are subject to the risks and uncertainties noted herein and the other risks and uncertainties listed from time to time in our filings with the Securities and Exchange Commission, including but not limited to the 1999 Annual Report on Form 10-K, that could cause actual results to differ materially from those projected or forecasted. Cohu undertakes no obligation to update the information, including the forward-looking statements, in this Annual Report.

COHU STOCK INFORMATION

Cohu, Inc. stock is traded on the Nasdaq Stock Market under the symbol "COHU". Cohu declared cash dividends at the rate of $.045* per share per quarter in 1999 and $.04* per share per quarter in 1998.

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

	1999*		1998*	
	HIGH	LOW	High	Low
First Quarter	$17.22	$10.57	$24.32	$14.07
Second Quarter	18.13	11.25	19.63	11.75
Third Quarter	25.00	17.00	12.44	7.13
Fourth Quarter	31.75	16.50	12.63	6.00

* Adjusted for two-for-one stock split effective September 1999

At December 31, 1999 Cohu had approximately 10,000 total stockholders including 1,201 holders of record.

A COPY OF COHU'S ANNUAL REPORT ON FORM 10-K FILED WITH THE SECURITIES AND EXCHANGE COMMISSION FOR 1999 AND OTHER INFORMATION ABOUT COHU IS AVAILABLE WITHOUT CHARGE BY CONTACTING:

Investor Relations
Cohu, Inc.
5755 Kearny Villa Road
San Diego, CA 92123-1111
(858) 541-5184
or visit our website at www.cohu.com

QUARTERLY FINANCIAL DATA (UNAUDITED)
(in thousands, except per share data)

		FIRST	SECOND	THIRD	FOURTH	YEAR
Net sales:	1999	$ 29,526	$ 43,471	$ 61,728	$ 74,055	$ 208,780
	1998	56,691	55,202	34,277	25,341	171,511
Gross profit:	1999	10,362	17,721	24,652	29,333	82,068
	1998	23,324	19,577	8,671	3,512*	55,084
Net income (loss):	1999	1,391	4,870	7,482	12,183	25,926
	1998	8,216	5,313	466	(2,349)*	11,646
Earnings (loss) per share**:						
Basic	1999	.07	.25	.38	.61	1.31
	1998	.42	.27	.02	(.12)	.60
Diluted	1999	.07	.24	.36	.58	1.26
	1998	.41	.27	.02	(.12)	(.58)

* Impacted by asset write-downs. See Note 2 to Consolidated Financial Statements

** Adjusted for two-for-one stock split effective September 1999

EXHIBIT 23

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Cohu, Inc. of our report dated January 26, 2000, included in the 1999 Annual Report to Stockholders of Cohu, Inc.

Our audit also included the financial statement schedule of Cohu, Inc. listed in Item 14(a). This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 33-63818, 33-60735, 333-16293, 333-62803, and 333-27663) pertaining to the Cohu, Inc. 1992, 1994, 1996 and 1998 Stock Option Plans, 1996 Outside Directors Stock Option Plan and 1997 Employee Stock Purchase Plan of our report dated January 26, 2000, with respect to the consolidated financial statements incorporated herein by reference, and our report included in the preceding paragraph with respect to the financial statement schedule included in this Annual Report (Form 10-K) of Cohu, Inc.

/s/ ERNST & YOUNG LLP

San Diego, California
March 2, 2000

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM 1999 FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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YEAR	
DEC-31-1999	
JAN-01-1999	
DEC-31-1999	
	55,954
	25,646
	52,262
	1,981
	55,646
	202,769
	34,857
	17,841
	220,733
	56,719
	0
	0
	0
	19,938
	142,418
220,733	
	208,780
	208,780
	126,712
	126,712
	0
	0
	0
	38,926
	13,000
	25,926
	0
	0
	0
	25,926
	1.31
	1.26

Restated for two-for-one stock split effective September 1999. Prior financial data schedules have not been restated for the stock split.