



## Cohu Reports Third Quarter 2006 Operating Results

October 26, 2006

POWAY, Calif., October 26, 2006 -- Cohu, Inc. (NASDAQ:COHU) today announced that net sales from continuing operations were \$74.8 million for the third quarter ended September 30, 2006 compared to \$66.8 million for the third quarter ended September 24, 2005 and \$61.9 million for the second quarter ended June 24, 2006. Net income for the third quarter was \$4.2 million, or \$0.18 per share compared to \$9.6 million or \$0.42 per share for the third quarter of 2005. Income from continuing operations for the third quarter of 2006 was \$4.5 million or \$0.19 per share compared to \$9.7 million or \$0.42 per share for the third quarter of 2005 and \$5.2 million or \$0.23 per share for the second quarter of 2006. Stock compensation expense for the three months ended September 30, 2006 was \$1.1 million. As previously announced, during the third quarter ended September 30, 2006 our Broadcast Microwave Services subsidiary's contract with the United Arab Emirates Armed Services was accepted and paid which resulted in the recognition of approximately \$7.9 million of revenue. For the third quarter of 2006, R&D expense increased \$3.8 million compared to the third quarter of 2005 as a result of new product development programs for test handlers and thermal sub systems.

Net sales from continuing operations for the first nine months of 2006 were \$193.5 million with income from continuing operations of \$13.3 million or \$0.58 per share compared to net sales from continuing operations of \$159.0 million with income from continuing operations of \$21.8 million or \$0.97 per share for the first nine months of 2005. Net income for the first nine months of 2006 was \$12.3 million or \$0.54 per share compared to \$21.7 million or \$0.97 per share for the first nine months of 2005. Stock compensation expense for the nine months ended September 30, 2006 was \$2.6 million.

In May, 2006, Cohu sold its metal detection equipment business, Fisher Research Laboratory (FRL). As a result of the disposition, the operating results of FRL have been presented as discontinued operations and all prior period amounts have been reclassified accordingly.

Sales of semiconductor test handling equipment accounted for 74.8% of total third quarter 2006 sales from continuing operations. Sales of television cameras and related equipment were 7.1% of sales and microwave communications equipment contributed 18.1% of sales for the same period.

Cohu consolidated orders from continuing operations for the third quarter of 2006 were \$76.5 million compared to \$63.4 million for the second quarter of 2006. Third quarter 2006 orders for semiconductor equipment increased from \$54.4 million in the second quarter of 2006 to \$66.2 million in the third quarter of 2006. Backlog was a record \$104.5 million at September 30, 2006 compared to \$102.8 million at June 24, 2006. Cohu expects fourth quarter 2006 sales to be approximately \$65 million. These sales exclude approximately \$11 million in revenue for burn-in related thermal sub-systems that may be recognized in the fourth quarter upon customer acceptance.

James A. Donahue, President and Chief Executive Officer stated, "This was a strong quarter for Cohu, particularly in view of challenging industry-wide conditions for back-end semiconductor equipment. Excluding revenue from the UAE contract, sales increased 8% sequentially and were 16% higher than our mid-point Q3 revenue guidance."

Donahue concluded, "Orders significantly exceeded our internal forecast, driven by strong demand for Summit test handlers that incorporate our proprietary thermal technology and a large initial order for thermal sub-systems for use in an advanced IC burn-in system. We are currently developing this product, that incorporates thermal technology acquired in our March 2006 asset purchase from Unisys, and expect to make first shipments in Q1 2007. We are excited about the opportunity to expand our served market beyond test handlers and we believe thermal subsystems will make a significant contribution to future sales. Orders were the highest since the first quarter of 2000, however in view of current industry conditions, we do not expect near term orders to continue at this level."

Cohu's Board of Directors approved a quarterly cash dividend of \$0.06 per share payable on January 5, 2007 to shareholders of record on December 1, 2006. Cohu has paid consecutive quarterly cash dividends since 1977.

Certain matters discussed in this release including statements concerning Cohu's expectations of 2006 operations, product shipments and orders are forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those projected or forecasted. Such risks and uncertainties include, but are not limited to, the concentration of our revenues from a limited number of customers; failure to obtain customer acceptance resulting in the inability to recognize revenue and accounts receivable collection problems; inventory writeoffs; intense competition in the semiconductor test handler industry; our reliance on patents and intellectual property; the cyclical and unpredictable nature of capital expenditures by semiconductor manufacturers; Cohu's ability to convert new products under development into production on a timely basis, support product development and meet customer delivery and acceptance requirements for next generation equipment; difficulties in integrating acquisitions and new technologies and other risks addressed in Cohu's filings with the Securities and Exchange

Commission including the most recently filed Form 10-K and Form 10-Q. Cohu assumes no obligation to update the information in this release.

Cohu is a leading supplier of test handling solutions used by the global semiconductor industry as well as a supplier of closed circuit television and microwave communications equipment.

Cohu will be conducting their conference call on Thursday, October 26, 2006 at 2:00 p.m. Pacific Time. The call will be webcast at [www.cohu.com/investors/index.asp](http://www.cohu.com/investors/index.asp). Replays of the call can be accessed at [www.cohu.com](http://www.cohu.com).

[Full Press Release including Consolidated Statements of Operations and Consolidated Balance Sheets](#)

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