UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2000

OR

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

COMMISSION FILE NUMBER 1-4298

COHU, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	95-1934119
(State or other jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

5755 KEARNY VILLA ROAD, SAN DIEGO, CALIFORNIA	92123-1111
(Address of principal executive office)	(Zip Code)

Registrant's telephone number, including area code 858-541-5194

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 [ ]

As of June 30, 2000, the Registrant had 20,237,684 shares of its $1.00 par value common stock outstanding.

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FORM 10-Q
JUNE 30, 2000

COHU, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in thousands)

ASSETS	JUNE 30, 2000	DECEMBER 31, 1999
Current assets:		
Cash and cash equivalents	$ 73,989	$ 55,954
Short-term investments	15,388	25,646
Accounts receivable, less allowance for doubtful accounts of $1,857 in 2000 and $1,981 in 1999	56,205	52,262
Inventories:		
Raw materials and purchased parts	24,183	21,257
Work in process	18,991	18,768
Finished goods	12,106	15,621
	55,280	55,646
Deferred income taxes	11,231	11,231
Prepaid expenses	2,561	2,030
Total current assets	214,654	202,769
Property, plant and equipment, at cost:		
Land and land improvements	2,501	2,501
Buildings and building improvements	12,610	12,507
Machinery and equipment	21,111	19,849
	36,222	34,857
Less accumulated depreciation and amortization	19,251	17,841
Net property, plant and equipment	16,971	17,016
Goodwill, net of accumulated amortization of $2,405 in 2000 and $2,260 in 1999	722	867
Other assets	79	81
	$232,426	$220,733
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 10,623	$ 13,042
Income taxes payable	4,704	6,778
Customer advances	11,536	18,530
Other accrued liabilities	17,700	18,369
Total current liabilities	44,563	56,719
Accrued retiree medical benefits	972	984
Deferred income taxes	674	674
Stockholders' equity:		
Preferred stock	-	-
Common stock	20,238	19,938
Paid in excess of par	6,083	3,539
Retained earnings	159,896	138,879
Total stockholders' equity	186,217	162,356
	$232,426	$220,733

See accompanying notes

COHU, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(in thousands, except per share amounts)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2000	1999	2000	1999
Net sales	$ 86,723	$ 43,471	$159,190	$ 72,997
Cost and expenses:				
Cost of sales	51,380	25,750	96,123	44,914
Research and development	8,313	5,050	15,068	9,347
Selling, general and administrative	8,125	6,154	15,264	11,241
	67,818	36,954	126,455	65,502
Income from operations	18,905	6,517	32,735	7,495
Interest income	1,309	1,053	2,602	2,166
Income before income taxes	20,214	7,570	35,337	9,661
Provision for income taxes	7,100	2,700	12,300	3,400
Net income	$ 13,114	$ 4,870	$ 23,037	$ 6,261
Earnings per share:				
Basic	$ .65	$ .25	$ 1.14	$ .32
Diluted	$ .62	$ .24	$ 1.08	$ .31
Weighted average shares used in computing earnings per share:				
Basic	20,209	19,726	20,130	19,670
Diluted	21,248	20,346	21,277	20,232

See accompanying notes.

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

	SIX MONTHS ENDED JUNE 30, 2000	1999
Cash flows from operating activities:		
Net income	$ 23,037	$ 6,261
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation and amortization	1,620	1,365
Decrease in accrued retiree medical benefits	(12)	(1)
Changes in assets and liabilities:		
Accounts receivable	(3,943)	(13,249)
Inventories	366	(13,090)
Prepaid expenses	(531)	(236)
Accounts payable	(2,419)	9,913
Income taxes payable	(2,074)	2,036
Customer advances	(6,994)	-
Other accrued liabilities	(669)	3,931
Net cash provided by (used for) operating activities	8,381	(3,070)
Cash flows from investing activities:		
Purchases of short-term investments	(5,977)	(20,915)
Maturities of short-term investments	16,235	6,300
Purchases of property, plant, equipment and other assets	(1,428)	(745)
Net cash provided by (used for) investing activities	8,830	(15,360)
Cash flows from financing activities:		
Issuance of stock, net	2,844	1,107
Cash dividends	(2,020)	(1,773)
Net cash provided by (used for) financing activities	824	(666)
Net increase (decrease) in cash and cash equivalents	18,035	(19,096)
Cash and cash equivalents at beginning of period	55,954	74,446
Cash and cash equivalents at end of period	$ 73,989	$ 55,350
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Income taxes	$ 14,374	$ 1,364

See accompanying notes.

COHU, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2000

1 - BASIS OF PRESENTATION

The accompanying interim financial statements are unaudited but include all adjustments (consisting of normal recurring adjustments) which Cohu, Inc. (the "Company" or "Cohu") considers necessary for a fair statement of the results for the period. The operating results for the three and six months ended June 30, 2000 are not necessarily indicative of the operating results for the entire year or any future period. These financial statements should be read in conjunction with the consolidated financial statements incorporated by reference in the Company's Annual Report on Form 10-K for the year ended December 31, 1999 and management's discussion and analysis of financial condition and results of operations included elsewhere herein.

Net sales for the three and six months ended June 30, 2000 included $17.5 million and $29.3 million, respectively, of sales from the Company's new Summit test handlers. Through June 30, 2000, additional Summit handlers with a sales value of $17.3 million had been shipped. Revenue on these shipments will be recognized subsequent to June 30, 2000 upon customer acceptance, which is expected to occur in the third quarter of 2000. Customer payments received on these shipments totaled $11.5 million at June 30, 2000 and have been recorded as customer advances.

In December 1999, the staff of the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 ("SAB 101"), Revenue Recognition in Financial Statements. SAB 101 was amended by SAB 101B which delayed the implementation date of SAB 101 for calendar year end reporting companies, including Cohu, to the quarter ending December 31, 2000. The Company is currently evaluating SAB 101 and is uncertain as to what impact, if any, SAB 101 will have on its revenues and results of operations for the quarter and year ending December 31, 2000 and subsequent periods. The impact of SAB 101, if any, will be reported as a change in accounting principle in accordance with APB Opinion No. 20 and Financial Accounting Standards Board ("FASB") Statement No. 3. This may result in a significant cumulative effect change in accounting adjustment that would be reflected in the Company's results of operations for the quarter and year ended December 31, 2000.

2 - 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. For purposes of computing diluted earnings per share, weighted average common share equivalents do not include stock options with an exercise price that exceeds the average fair market value of the Company's common stock for the period. For the three and six months ended June 30, 2000, options to purchase approximately 50,000 and 25,000 shares of common stock at average prices of $38.81 and $38.81, respectively, were excluded from the computation, and for the three and six months ended June 30, 1999, options to purchase approximately 106,000 and 164,000 shares of common stock at average prices of $20.33 and $18.05, respectively, were excluded from the computation. The following table reconciles the denominators used in computing basic and diluted earnings per share:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2000	1999	2000	1999
	(in thousands)		(in thousands)	
Weighted average common shares outstanding	20,209	19,726	20,130	19,670
Effect of dilutive stock options	1,039	620	1,147	562
	21,248	20,346	21,277	20,232

COHU, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2000

3 - SEGMENT AND RELATED INFORMATION

The following information is presented pursuant to FASB Statement No. 131, Disclosures about Segments of an Enterprise and Related Information. Intersegment sales were not significant in any period.

	THREE MONTHS ENDED JUNE 30, 2000	THREE MONTHS ENDED JUNE 30, 1999	SIX MONTHS ENDED JUNE 30, 2000	SIX MONTHS ENDED JUNE 30, 1999
	(in thousands)		(in thousands)	
Net sales:				
Semiconductor equipment	$ 76,755	$ 35,382	$ 139,551	$ 57,756
Television cameras	6,925	4,944	13,417	9,173
Net sales for reportable segments	83,680	40,326	152,968	66,929
All other	3,043	3,145	6,222	6,068
Total consolidated net sales	$ 86,723	$ 43,471	$ 159,190	$ 72,997
Operating profit (loss):				
Semiconductor equipment	$ 18,769	$ 7,229	$ 32,601	$ 8,687
Television cameras	699	337	1,105	511
Operating profit for reportable segments	19,468	7,566	33,706	9,198
All other	(4)	(538)	103	(800)
Total consolidated operating profit	19,464	7,028	33,809	8,398
Other unallocated amounts:				
Corporate expenses	(487)	(439)	(930)	(759)
Interest income	1,309	1,053	2,602	2,166
Goodwill amortization	(72)	(72)	(144)	(144)
Income before income taxes	$ 20,214	$ 7,570	$ 35,337	$ 9,661

	JUNE 30, 2000	DECEMBER 31, 1999
	(in thousands)	
Total assets by segment:		
Semiconductor equipment	$114,854	$115,671
Television cameras	11,784	11,758
Total assets for reportable segments	126,638	127,429
All other operating segments	5,718	5,419
Corporate	100,070	87,885
Total consolidated assets	$232,426	$220,733

COHU, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
JUNE 30, 2000

This Form 10-Q contains certain forward-looking statements 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 various risks and uncertainties, including but not limited to those discussed herein and, in particular, under the caption "Business and Market Risks" that could cause actual results to differ materially from those projected.

RESULTS OF OPERATIONS
SECOND QUARTER 2000 COMPARED TO SECOND QUARTER 1999

Net sales increased 99% to $86.7 million in 2000 compared to net sales of $43.5 million in 1999. Sales of semiconductor test handling equipment in 2000 increased 117% from the 1999 period due to the strength of the global semiconductor equipment industry and sales of the Company's new Summit handlers and accounted for 89% of consolidated net sales in 2000 versus 81% in 1999. Sales of television cameras and other equipment increased 40% while the combined sales of metal detection and microwave equipment decreased 3%. Export sales accounted for 70% of net sales in the second quarter of 2000 compared to 63% for the year ended December 31, 1999.

Net sales for the three months ended June 30, 2000 included $17.5 million of sales from the Company's new Summit test handlers. Through June 30, 2000, additional Summit handlers with a sales value of $17.3 million had been shipped. Revenue on these shipments will be recognized subsequent to June 30, 2000 upon customer acceptance, which is expected to occur in the third quarter of 2000. Customer payments received on these shipments totaled $11.5 million at June 30, 2000 and have been recorded as customer advances.

Gross margin as a percentage of net sales was 40.8% in both 2000 and 1999. Research and development expense as a percentage of net sales was 9.6% in 2000, compared to 11.6% in 1999, increasing in absolute dollars from $5.1 million to $8.3 million as a result of increased spending on new product development in the semiconductor equipment business. Selling, general and administrative expense as a percentage of net sales decreased to 9.4% in 2000 from 14.2% in 1999 primarily as a result of the increase in business volume. Interest income increased to $1.3 million in 2000 from $1.1 million in 1999 as a result of an increase in interest rates. The provision for income taxes expressed as a percentage of pre-tax income was 35.1% in the second quarter of 2000 and 35.7% for the second quarter of 1999. As a result of the factors set forth above, net income increased from $4.9 million in 1999 to $13.1 million in 2000.

SIX MONTHS ENDED JUNE 30, 2000 COMPARED TO SIX MONTHS ENDED JUNE 30, 1999

Net sales increased 118% to $159.2 million in 2000 compared to net sales of $73.0 million in 1999. Net sales during the first half of 1999 were negatively impacted by the semiconductor industry downturn that began in mid 1998. Sales of semiconductor test handling equipment in 2000 increased 142% from the 1999 period and accounted for 88% of consolidated net sales in 2000 versus 79% in 1999. Sales of television cameras and other equipment increased 46% while the combined sales of metal detection and microwave equipment increased 3%. Export sales accounted for 60% of net sales in the first six months of 2000 compared to 63% for the year ended December 31, 1999.

Net sales for the six months ended June 30, 2000 included $29.3 million of sales from the Company's new Summit test handlers.

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SIX MONTHS ENDED JUNE 30, 2000 COMPARED TO SIX MONTHS ENDED JUNE 30, 1999 (CONT.)

Gross margin as a percentage of net sales was 39.6% in 2000 versus 38.5% in 1999. The improvement in gross margin was primarily the result of increased business volume and changes in product mix. Research and development expense as a percentage of net sales was 9.5% in 2000, compared to 12.8% in 1999, increasing in absolute dollars from $9.3 million to $15.1 million primarily as a result of increased spending on new product development in the semiconductor equipment business. Selling, general and administrative expense as a percentage of net sales decreased to 9.6% in 2000 from 15.4% in 1999 primarily as a result of the increase in business volume. Interest income increased to $2.6 million in 2000 from $2.2 million 1999 as a result of increases in interest rates. The provision for income taxes expressed as a percentage of pre-tax income was 34.8% in the first six months of 2000 compared to 35.2% for the first six months of 1999. As a result of the factors set forth above, net income increased to $23.0 million in 2000 from $6.3 million in 1999.

LIQUIDITY AND CAPITAL RESOURCES

The Company's net cash flows provided by operating activities in the first six months of 2000 totaled $8.4 million. The major components of cash flows provided by operating activities were net income of $23.0 offset by the net change in certain current assets and liabilities totaling $16.3 million. Net cash provided by investing activities included $10.3 million for the purchase of short-term investments, less maturities, offset by purchases of property, plant and equipment and other assets of $1.4 million. Net cash provided by financing activities was $.8 million. Cash provided by financing activities included $2.8 million received from the issuance of stock upon the exercise of stock options offset by $2.0 million for the payment of dividends. The Company had $10 million available under its bank line of credit and working capital of $170.1 million at June 30, 2000. It is anticipated that present working capital and available borrowings under the line of credit will be sufficient to meet the Company's operating requirements for the next twelve months.

BUSINESS AND MARKET RISKS

THE SEMICONDUCTOR INDUSTRY WE SERVE IS HIGHLY VOLATILE AND UNPREDICTABLE.

Cohu's operating results are substantially dependent on our semiconductor equipment business. This capital equipment business is in turn highly dependent on the overall strength of the semiconductor industry. Historically, the semiconductor industry has been highly cyclical with recurring periods of oversupply and excess capacity, which often have had a significant effect on the semiconductor industry's demand for capital equipment, including equipment of the type manufactured and marketed by Cohu. We anticipate that the markets for newer generations of semiconductors 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 business, financial position and results of operations.

ACCOUNTING RULES MAY IMPACT THE TIMING OF REVENUE RECOGNITION.

In December 1999, the staff of the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 ("SAB 101"), Revenue Recognition in Financial Statements. SAB 101 was amended by SAB 101B which delayed the implementation date of SAB 101 for calendar year end reporting companies, including Cohu, to the quarter ending December 31, 2000. The Company is currently evaluating SAB 101

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BUSINESS AND MARKET RISKS (CONT.)

and is uncertain as to what impact, if any, SAB 101 will have on its revenues and results of operations for the quarter and year ending December 31, 2000 and subsequent periods. The impact of SAB 101, if any, will be reported as a change in accounting principle in accordance with APB Opinion No. 20 and FASB Statement No. 3. This may result in a significant cumulative effect change in accounting adjustment that would be reflected in the Company's results of operations for the quarter and year ended December 31, 2000.

SEMICONDUCTOR EQUIPMENT IS SUBJECT TO RAPID TECHNOLOGICAL CHANGE, PRODUCT INTRODUCTIONS AND TRANSITIONS MAY RESULT IN INVENTORY WRITE-OFFS AND OUR NEW PRODUCT DEVELOPMENT INVOLVES NUMEROUS RISKS AND UNCERTAINTIES.

Semiconductor equipment and processes are subject to rapid technological change. We believe that our future success will depend in part on our ability to enhance existing products and develop new products with improved performance capabilities. We expect to continue to invest heavily in research and development and must manage product transitions successfully, as introductions of new products could adversely impact sales or margins of existing products. In addition, the introduction of new products, including the Company's Castle and Summit handlers, and the concentration of our revenues in a limited number of large customers increases the risk that our established products may become obsolete resulting in greater excess and obsolete inventory exposure. This increased exposure may result in increased inventory write-offs and reserve requirements in excess of those we recorded in prior years that could have a material adverse impact on our results of operations and financial condition.

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

COHU, INC.
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BUSINESS AND MARKET RISKS (CONT.)

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

THE SEMICONDUCTOR EQUIPMENT INDUSTRY IN GENERAL, AND THE TEST HANDLER MARKET IN PARTICULAR, IS HIGHLY COMPETITIVE.

The semiconductor test handler industry is intensely competitive and we face substantial competition from numerous companies throughout the world. Future competition may include companies that do not currently supply test handlers. While 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. Our failure to introduce new products in a timely manner, the introduction by our competitors of products with perceived or actual advantages or disputes over rights of Cohu or our competitors to use certain intellectual property or technology could result in a loss of our competitive position and reduced sales of or margins on our existing products.

A LIMITED NUMBER OF CUSTOMERS ACCOUNT FOR A SUBSTANTIAL PERCENTAGE OF OUR NET SALES.

We rely on a limited number of customers for a substantial percentage of our net sales. In 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.

OUR BACKLOG IS LIMITED AND MAY NOT ACCURATELY REFLECT FUTURE BUSINESS ACTIVITY.

Our order backlog has historically represented approximately three months of revenue and as a result our visibility over future business activity is limited. A significant portion of our semiconductor test handling

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BUSINESS AND MARKET RISKS (CONT.)

equipment backlog at June 30, 2000 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 effect on our business, financial condition and results of operations.

THE CYCLICAL NATURE OF THE SEMICONDUCTOR INDUSTRY PLACES ENORMOUS DEMANDS ON OUR OPERATIONS AND INFRASTRUCTURE.

The semiconductor equipment industry is characterized by dramatic and sometimes volatile changes in demand for its products. Changes in product demand result from a number of factors including the semiconductor industry's ever changing and unpredictable capacity requirements and changes in IC design and packaging. Sudden changes in demand for semiconductor equipment have a significant impact on our operations. In response to a severe industry downturn in 1998, we reduced our total workforce by approximately 40%. During 1999, we increased our workforce by more than 50% as business conditions in the semiconductor equipment industry and our order backlog improved. 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. The increased headcount and business levels, combined with the cyclical nature of the semiconductor industry, may require that we invest substantial amounts in new operational and financial systems, procedures and controls and in improved and expanded facilities. We may not be able to successfully adjust our systems, facilities and production capacity to meet customers' changing requirements. The inability to meet such requirements will have an adverse impact on our business, financial position and results of operations.

WE HAVE EXPERIENCED A SIGNIFICANT DECLINE IN GRAVITY-FEED IC TEST HANDLER SALES.

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

WE ARE EXPOSED TO THE RISKS OF OPERATING A GLOBAL BUSINESS.

Cohu has operations located in various parts of the world to support our sales and services to the global semiconductor industry. Managing geographically dispersed operations presents difficult challenges associated with, among other things, organizational alignment and infrastructure, communications and

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BUSINESS AND MARKET RISKS (CONT.)

information technology, inventory control, customer relationship management and cultural diversities. In addition, maintaining these geographically dispersed locations is expensive. We may not be able to manage our multiple operations in a cost effective and efficient manner. If we are unsuccessful in managing such operations effectively, our business and results of operations will be adversely affected.

FAILURE OF CRITICAL SUPPLIERS TO DELIVER SUFFICIENT QUANTITIES OF PARTS IN A TIMELY AND COST-EFFECTIVE MANNER COULD ADVERSELY IMPACT OUR OPERATIONS.

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

WE ARE EXPOSED TO THE RISK THAT THIRD PARTIES MAY VIOLATE OUR PROPRIETARY RIGHTS OR ACCUSE US OF INFRINGING UPON THEIR PROPRIETARY RIGHTS.

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

A MAJORITY OF OUR REVENUES ARE GENERATED FROM EXPORTS TO FOREIGN COUNTRIES, PRIMARILY IN ASIA, THAT ARE SUBJECT TO ECONOMIC INSTABILITY AND WE COMPETE AGAINST A NUMBER OF ASIAN TEST HANDLING EQUIPMENT SUPPLIERS.

During 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, we face intense competition from a number of Asian suppliers that have certain advantages over U.S. suppliers, including Cohu. These advantages include, among other things, proximity to customers, favorable tariffs and affiliation with significantly larger organizations. In addition, changes in the amount or price of semiconductors produced in Asia could impact the profitability or capital equipment spending programs of

COHU, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
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BUSINESS AND MARKET RISKS (CONT.)

our foreign and domestic customers.

OUR NON SEMICONDUCTOR EQUIPMENT BUSINESSES HAVE EXPERIENCED LITTLE OR NO GROWTH AND DECLINING PROFITABILITY OVER THE LAST FIVE YEARS.

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

INTEREST RATE RISK

At June 30, 2000 our investment portfolio includes fixed-income securities of approximately $79.7 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.

FOREIGN CURRENCY EXCHANGE RISK.

We generally conduct business, including sales to foreign customers, in U.S. dollars and as a result have limited foreign currency exchange rate risk. Monetary assets and liabilities of Cohu's foreign operations are not significant. The effect of an immediate 10 percent change in foreign exchange rates would not have a material impact on our financial condition or results of operations.

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-Q.

PART II OTHER INFORMATION

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

The Annual Meeting of Stockholders was held on May 16, 2000. At the meeting the following directors were elected:

DIRECTOR	NUMBER OF COMMON SHARES VOTED FOR	WITHHOLD AUTHORITY
Harry L. Casari	18,353,052	482,653
Frank W. Davis	18,326,658	509,047
Harold Harrigian	18,348,369	487,336

The directors continuing in office until 2001 or 2002 are James W. Barnes, James A. Donahue, Gene E. Leary and Charles A. Schwan.

In addition, the stockholders approved the following proposals:

PROPOSAL	NUMBER OF COMMON SHARES VOTED			
	FOR	AGAINST	ABSTAIN	BROKER NON-VOTES
To approve an amendment to the Cohu, Inc. 1998 Stock Option Plan	12,734,063	6,038,634	63,006	2
To approve an amendment to the Cohu, Inc. Amended and Restated Certificate of Incorporation to increase the number of authorized shares of Common Stock from 40,000,000 to 60,000,000	17,333,654	1,461,688	40,363	--

ITEM 5. OTHER INFORMATION

Effective June 30, 2000, Charles A. Schwan retired as Chief Executive Officer. Mr. Schwan will continue as Chairman of Cohu's Board of Directors. In a related move, James A. Donahue, previously Cohu's President & Chief Operating Officer, was promoted to Chief Executive Officer.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits:

3.1 - Certificate of Amendment of Amended and Restated Certificate of Incorporation of Cohu, Inc. incorporated herein by reference from the Cohu Form S-8 filed June 30, 2000, Exhibit 4.1(a)

10.1 - Amendment No. 2, dated April 28, 2000, to Business Loan Agreement between Cohu, Inc. and Bank of America, N.A.

10.2 - Option to extend lease agreement dated June 25, 1999 by and between Cohu, Inc. and Thomas G. Plein and Diane L. Plein

10.3 - Employment Agreement between Cohu, Inc. and Charles A. Schwan

10.4 - Cohu, Inc. 1998 Stock Option Plan (as amended) incorporated herein by reference from the Cohu Form S-8 filed June 30, 2000, Exhibit 4.4

27.1 - Financial Data Schedule

(b) Reports on Form 8-K: The Company did not file any reports on Form 8-K during the quarter ended June 30, 2000.

SIGNATURES

Pursuant to the requirements 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.

(Registrant)

Date: July 28, 2000	/s/ James A. Donahue James A. Donahue President & Chief Executive Officer
Date: July 28, 2000	/s/ John H. Allen John H. Allen Vice President, Finance & Chief Financial Officer

Exhibit 10.1

AMENDMENT TO DOCUMENTS

AMENDMENT NO. 2 TO BUSINESS LOAN AGREEMENT

This Amendment No. 2 (the "Amendment") dated as of April 28, 2000, is between Bank of America, N.A. (the "Bank"), formerly Bank of America NT&SA, and Cohu, Inc. (the "Borrower").

RECITALS

A. The Bank and the Borrower entered into a certain Business Loan Agreement dated as of June 15, 1998, as previously amended (the "Agreement").

B. The Bank and the Borrower desire to further amend the Agreement.

AGREEMENT

1 DEFINITIONS. Capitalized terms used but not defined in this Amendment shall have the meaning given to them in the Agreement.

2 AMENDMENTS. The Agreement is hereby amended as follows:

2.1 The Bank has changed the name of the "Reference Rate" to the "Prime Rate." The term "Reference Rate" is therefore amended to read "Prime Rate" throughout the Agreement.

2.2 In Paragraph 1.2 of the Agreement, the date "MAY 1, 2001" is substituted for the date "MAY 1, 2000".

2.3 In Paragraph 6.3 of the Agreement, the ratio "2.0:1.0" is substituted for the ratio "2.25:1.0".

2.4 In Paragraph 6.4 of the Agreement, the amount "ONE HUNDRED FIFTY MILLION DOLLARS ($150,000,000)" is substituted for the amount "ONE HUNDRED THIRTY MILLION DOLLARS ($130,000,000)".

3 REPRESENTATIONS AND WARRANTIES. When the Borrower signs this Amendment, the Borrower represents and warrants to the Bank that: (a) there is no event which is, or with notice or lapse of time or both would be, a default under the Agreement except those events, if any, that have been disclosed in writing to the Bank or waived in writing by the Bank, (b) the representations and warranties in the Agreement are true as of the date of this Amendment as if made on the date of this Amendment, (c) this Amendment is within the Borrower's powers, has been duly authorized, and does not conflict with any of the Borrower's organizational papers, and (d) this Amendment does not conflict with any law, agreement, or obligation by which the Borrower is bound.

4 EFFECT OF AMENDMENT. Except as provided in this Amendment, all of the terms and conditions of the Agreement shall remain in full force and effect.

This Amendment is executed as of the date stated at the beginning of this Amendment.

BANK OF AMERICA, N.A.	Cohu Inc.
/s/ Paul M. Tuomainen	/s/ John H. Allen
By: Paul M. Tuomainen, Jr., Vice President	By: John H. Allen, Vice President/Finance & Chief Financial Officer

Exhibit 10.2

April 28, 2000

Mr. Thomas G. Plein and Diane L. Plein
Mr. Lee and Sandy Chesnut
Mr. Jeff and Linda Hurley
c/o Mr. Lee Chesnut
9267 Grossmont Summit Drive
La Mesa, CA 91941

RE: OPTION TO RENEW PER SECTION 39.3 OF THE LEASE DATED JUNE 26, 1995 BY AND BETWEEN THOMAS G. PLEIN AND DIANE L. PLEIN, HUSBAND AND WIFE OWNING THE PREMISES AS COMMUNITY PROPERTY AND CUBIC DEFENSE SYSTEMS, INC. AND FURTHER ASSIGNED BY A LEASE ASSIGNMENT DATED JUNE 25, 1999 BY AND BETWEEN COHU, INC., ASSIGNEE AND CUBIC DEFENSE SYSTEMS, ASSIGNOR AND THOMAS G. AND DIANE L. PLEIN, COLLECTIVELY LESSOR.

Cohu hereby exercises their Option to Extend the term of the Lease for additional five- (5) years, commencing November 1, 2000, and ending October 31, 2005. The Lease rate commencing November 1, 2000 shall be as defined in Exhibit "C" of the original Lease.

Should you have any questions, please do not hesitate to call.

Truly yours,

CB RICHARD ELLIS, INC.

/s/ Patrick A. Collins
- ----------------------------------

Patrick A. Collins
Vice President
858.546.4624

/s/ Charles A. Schwan
- ----------------------------------

Charles A. Schwan
Chairman / CEO
Cohu, Inc.

Exhibit 10.3

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is made effective as of June 30, 2000 between Cohu, Inc., a Delaware corporation (the "Company"), and Charles A. Schwan ("Schwan"), with respect to the following facts:

A. The Company desires to continue the services and employment of Schwan for the period provided for in this Agreement and Schwan is willing to continue employment by the Company on a part-time basis for such period and upon the terms and conditions set forth below.

Now, therefore, in consideration of the foregoing and the mutual covenants contained herein, Schwan and the Company hereto agree as follows:

1. Employment. Schwan has resigned as Chief Executive Officer of the Company effective June 30, 2000. It is Schwan's current intention to continue to serve as the Company's Chairman of the Board of Directors unless or until a successor is appointed. The Company agrees to employ Schwan in a non-officer capacity on a part-time basis for the three (3) year period from July 1, 2000 through June 30, 2003, upon the terms and conditions provided herein.

2. Duties. During the period of this part-time employment pursuant to this Agreement, Schwan will devote his best efforts and skills to the affairs of the Company under and pursuant to the direction of the Executive Officers ("Senior Management") and the Board of the Company. Schwan may serve on the board of directors of and hold any other offices or positions in companies or organizations that will not present any conflict of interest with the Company or any of its subsidiaries or divisions or materially affect the performance of Schwan's duties under this Agreement. The Company will retain the full direction and control of the means and methods by which Schwan performs the services under this Agreement.

3. Responsibilities. Subject to the conditions stated in section 2 above and exclusive of his Board responsibilities, Schwan will devote a minimum of two hundred (200) hours per annum to the business and affairs of the Company. Schwan will provide the Company with regular reports on the services performed and the results of his work and retain appropriate records of time incurred in performing such services, all according to such guidelines as the Company may reasonably establish from time to time.

4. Compensation; Other Benefits; Expenses. Pursuant to this Agreement, Schwan will receive an annual salary of $30,000, less applicable federal and state taxes and withholding, payable in accordance with the normal payroll practices of the Company. To the extent he remains as a director, Schwan will not be compensated for his services as a member of the Company's Board. As the services provided pursuant to this Agreement will be performed on a part-time basis, Schwan will not participate in any incentive bonus program of the Company for services performed after June 30, 2000. However, Schwan shall be entitled to receive all other benefits of employment generally available to other employees of the Company who perform services on a part-time basis. The Company shall pay or reimburse Schwan for all reasonable expenses incurred in performing his duties under this Agreement, provided Schwan submits appropriate supporting documentation in accordance with Company policy. All stock options to

purchase common stock of the Company held by Schwan at the date of this Agreement shall continue to be subject to the terms and conditions contained in the related Option Agreements.

5. Termination.

5.1 The Company may terminate this Agreement "for cause" immediately at any time upon providing written notice to Schwan indicating the cause of termination. If terminated for cause, the annual salary under this Agreement shall be paid on a prorated basis to the date of termination. For purposes of this Agreement, "for cause" shall mean the discharge resulting from a determination by the Company that Schwan (a) has been convicted of a crime involving moral turpitude, including fraud, theft or embezzlement, (b) has failed or refused to follow the policies or directives established by the Board or Senior Management of the Company, (c) has willfully and consistently failed to attend to the material duties imposed on him pursuant to this Agreement.

5.2 The Company may terminate the employment of Schwan without cause at any time during the term of this Agreement; provided, however, that the Company shall be obligated to pay Schwan an amount equal to the annual salary under this Agreement from the date of termination through June 30, 2003, on the condition that Schwan executes a full general release, releasing all claims known or unknown that Schwan may have against the Company arising out of or in any way related to Schwan's employment or termination of employment with the Company. In addition, in the event of a termination by the Company without cause the Company, by action of the Compensation Committee of the Board, shall accelerate the vesting of all stock options to purchase common stock of the Company held by Schwan that would have been exercisable by June 30, 2003.

5.3 Schwan may terminate this agreement at any time. In so doing, Schwan will be paid on a prorated basis to the date of termination and any stock options to purchase common stock of the Company held by Schwan at that date will be subject to the termination of option provisions contained in the related Option Agreement.

5.4 Schwan and the Company hereby acknowledge that, as a result of his resignation as Chief Executive Officer of the Company, the Termination Agreement dated May 10, 1985 between the Company and Schwan is nullified effective June 30, 2000.

6. Confidentiality. In the event Schwan obtains confidential and proprietary information of the Company, he will protect such information to the same extent and be subject to the same restrictions that were in effect as of June 30, 2000.

7. Indemnification. During the term of his employment under this Agreement, Schwan will continue to be subject to the indemnification provisions contained in Article VII of the Company's Bylaws.

8. Arbitration. The Company and Schwan agree that any and all disputes between the Company and Schwan arising out of or in any way related to the employment relationship, including any disputes upon termination, shall be fully and finally resolved by binding arbitration before a single neutral arbitrator in San Diego, California. The arbitration will be conducted in accordance with the then current rules for the arbitration of employment disputes of the

American Arbitration Association ("AAA"). The parties are entitled to representation by an attorney or other representative of their choosing. The arbitrator shall have the power to enforce any award that could be entered by a judge of a trial court of the State of California, and only such power, and shall follow the law. In the event the arbitrator does not follow the law, the arbitrator will have exceeded the scope of his or her authority and the parties may, at their option, file a motion to vacate the award in court. The parties agree to abide by and perform any award rendered by the arbitrator. Judgment on the award may be entered in any court having jurisdiction thereof. By entering into this agreement, both parties are giving up their constitutional right to have any such dispute decided in a court of law before a jury, and instead, are accepting the use of binding arbitration. Each party shall bear one half the cost of the arbitration filing and hearing fees, and the cost of the arbitrator.

9. General Provisions.

9.1 Successors and Assigns. The rights and obligations of the Company under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of the Company. Schwan shall not be entitled to assign any of his rights or obligations under this Agreement.

9.2 Severability. In the event any provision of this Agreement is found to be unenforceable by an arbitrator or a court of competent jurisdiction, such provision shall be deemed modified to the extent necessary to allow enforceability of the provision as so limited, it being intended that the parties shall receive the benefit contemplated herein to the fullest extent permitted by law. If a deemed modification is not satisfactory in the judgment of such arbitrator or court, the unenforceable provision shall be deemed deleted, and the validity and enforceability of the remaining provisions shall not be affected thereby.

9.3 Complete Agreement. This Agreement and the documents referred to herein constitute the complete agreement between the parties with respect to the subject matter hereof.

IN WITNESS WHEREOF, Schwan and the Company have executed this Agreement effective as of the date set forth above.

COHU, INC.

/s/ Charles A. Schwan	By: /s/ John H. Allen
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Charles A. Schwan	John H. Allen Vice President Finance & Chief Financial Officer, Secretary

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM 2000
FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH
FINANCIAL STATEMENTS.

1,000

6-MOS
DEC-31-2000
JAN-01-2000
JUN-30-2000
73,989
15,388
56,205
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55,280
214,654
36,222
19,251
232,426
44,563
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232,426
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159,190
96,123
96,123
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12,300
12,300
0
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0
23,037
1.14
1.08

Item consists of Basic Earnings per Share