

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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1997

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 office)

(Zip Code)

Registrant's telephone number, including area code

619-277-6700

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 March 31, 1997, the Registrant had 9,384,861 shares of its \$1.00 par
value common stock outstanding.

COHU, INC.
INDEX
FORM 10-Q
MARCH 31, 1997

PART I FINANCIAL INFORMATION

Item 1. Condensed Consolidated Balance Sheets
 March 31, 1997 (Unaudited) and December 31, 1996 3

Condensed Consolidated Statements of Income (Unaudited)
 Three Months Ended March 31, 1997 and 1996 4

Condensed Consolidated Statements of Cash Flows (Unaudited)
 Three Months Ended March 31, 1997 and 1996 5

Notes to Unaudited Condensed Consolidated Financial Statements 6

Item 2. Management's Discussion and Analysis of
 Financial Condition and Results of Operations 7

PART II OTHER INFORMATION

Item 2. Changes in Securities 9

Item 6. Exhibits and Reports on Form 8-K 9

Signatures 9

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

ASSETS	MARCH 31, 1997 ----- (Unaudited)	DECEMBER 31, 1996 -----
Current assets:		
Cash and cash equivalents	\$ 9,659	\$ 24,660
Short-term investments	42,673	28,326
Accounts receivable, less allowance for doubtful accounts	25,787	19,170
Inventories, at lower of average cost or market:		
Finished goods	2,873	2,395
Work in process	8,590	6,012
Raw materials	7,386	7,175
	-----	-----
	18,849	15,582
Deferred income taxes	9,681	9,681
Prepaid expenses	1,239	1,166
	-----	-----
Total current assets	107,888	98,585
Property, plant and equipment, at cost:		
Land and land improvements	2,114	2,114
Buildings and building improvements	12,081	11,932
Machinery and equipment	14,484	14,069
	-----	-----
	28,679	28,115
Less accumulated depreciation and amortization	11,641	11,304
	-----	-----
Net property, plant and equipment	17,038	16,811
Goodwill, net	2,430	2,469
Other assets	101	61
	-----	-----
	\$ 127,457	\$ 117,926
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 8,243	\$ 4,464
Income taxes payable	4,387	1,552
Other accrued liabilities	12,970	14,566
	-----	-----
Total current liabilities	25,600	20,582
Accrued retiree medical benefits	937	916
Deferred income taxes	156	156
Stockholders' equity:		
Preferred stock	-	-
Common stock	9,385	9,341
Paid in excess of par	6,160	5,863
Retained earnings	85,219	81,068
	-----	-----
Total stockholders' equity	100,764	96,272
	-----	-----
	\$ 127,457	\$ 117,926
	=====	=====

See accompanying notes.

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

	THREE MONTHS ENDED MARCH 31,	
	1997	1996
Net sales	\$ 34,762	\$ 50,232
Cost and expenses:		
Cost of sales	19,908	27,348
Research and development	3,261	3,528
Selling, general and administrative	4,817	6,873
Income from operations	6,776	12,483
Interest income	738	411
Income before income taxes	7,514	12,894
Provision for income taxes	2,800	5,000
Net income	\$ 4,714	\$ 7,894
Net income per share	\$ 0.48	\$ 0.81
Average common shares and equivalents	9,802	9,705

See accompanying notes

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

	THREE MONTHS ENDED MARCH 31,	
	1997	1996
Cash flows from operating activities:		
Net income	\$ 4,714	\$ 7,894
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation and amortization	402	362
Purchase consideration to be paid in stock	58	414
Increase in accrued retiree medical benefits	21	22
Changes in assets and liabilities:		
Accounts receivable	(6,617)	147
Inventories	(3,267)	(2,649)
Prepaid expenses	(73)	(31)
Accounts payable	3,779	4,806
Income taxes payable	2,835	(347)
Other accrued liabilities	(1,654)	(2,280)
Net cash provided from operating activities	198	8,338
Cash flows from investing activities:		
Purchases of short-term investments	(14,347)	-
Purchases of property, plant, equipment and other assets	(630)	(2,474)
Net cash used for investing activities	(14,977)	(2,474)
Cash flows from financing activities:		
Issuance of stock, net	341	389
Cash dividends	(563)	(461)
Net cash used for financing activities	(222)	(72)
Net increase (decrease) in cash and cash equivalents	(15,001)	5,792
Cash and cash equivalents at beginning of period	24,660	28,874
Cash and cash equivalents at end of period	\$ 9,659	\$ 34,666
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Income taxes	\$ 2	\$ 5,335

See accompanying notes.

COHU, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1997

- 1 - The accompanying interim financial statements are unaudited but include all adjustments (consisting of normal recurring adjustments) which the Company considers necessary for a fair statement of the results for the period. The operating results for the three months ended March 31, 1997 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, 1996.
- 2 - Earnings per share (EPS) information is based on the weighted-average number of shares outstanding during each period and the dilutive effect of the assumed exercise of stock options.

In February 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 128, Earnings per Share, which supersedes APB Opinion No. 15. Statement No. 128 replaces the presentation of primary EPS with "Basic EPS" which includes no dilution and is based on weighted-average common shares outstanding for the period. Companies with complex capital structures, including Cohu, Inc., will also be required to present "Diluted EPS" that reflects the potential dilution of securities like employee stock options. Statement No. 128 is effective for financial statements issued for periods ending after December 15, 1997. The Company has not yet determined what the impact of Statement No. 128 will be on the calculation of earnings per share.

- 3 - On February 28, 1997 the Board of Directors of the Company adopted the Cohu, Inc. 1997 Employee Stock Purchase Plan. The Plan provides for the issuance of a maximum of 300,000 shares of the Company's Common Stock to employees and is subject to stockholder approval.

COHU, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS
MARCH 31, 1997

RESULTS OF OPERATIONS

Net sales decreased 31% to \$34.8 million in the first quarter of 1997 compared to net sales of \$50.2 million in 1996. Sales of semiconductor test handling equipment by the Company's Delta Design and Daymarc subsidiaries decreased 37% in the first quarter of 1997 and accounted for 75% of consolidated net sales versus 82% in the first quarter of 1996. Sales of television cameras and other equipment decreased 3% and accounted for 25% of consolidated net sales in the first quarter of 1997 versus 18% in 1996. Gross margin as a percentage of net sales in the first quarter of 1997 was approximately 43% versus 46% in 1996. The decrease in margin was primarily due to the decline in margins within the semiconductor equipment segment largely attributable to reduced business volume. Research and development expense as a percentage of net sales was 9% in the first quarter of 1997 compared to 7% in 1996 and reflected the Company's continued investment in new product development in the semiconductor equipment business. Selling, general and administrative expense as a percentage of net sales was 14% in both the 1997 and 1996 periods. Interest income in the quarter increased 80% to \$.7 million due to the significant increase in short-term investments. The provision for income taxes expressed as a percentage of pre-tax income was 37% in the first quarter of 1997 versus 38% for the year ended December 31, 1996. For the first fiscal quarter, as a result of the factors set forth above, net income decreased 40% to \$4.7 million in 1997 from \$7.9 million in 1996.

LIQUIDITY AND CAPITAL RESOURCES

The Company's net cash flows generated from operating activities in the first quarter of 1997 totaled \$.2 million. The major components of cash flows from operating activities were net income of \$4.7 million and increases in accounts payable of \$3.8 million and income taxes payable of \$2.8 million offset by increases in accounts receivable of \$6.6 million and inventories of \$3.3 million. Net cash used for investing activities was \$15 million and was used for the purchase of short-term investments (\$14.3 million) and property, plant and equipment. Net cash used for financing activities was \$.2 million. Cash used for financing activities included \$.6 million for the payment of dividends offset by \$.3 million received from the issuance of stock upon the exercise of stock options. The Company had \$5 million available under its bank line of credit and working capital of \$82.3 million at March 31, 1997. It is anticipated that present working capital and available borrowings under the line of credit will be sufficient to meet the Company's 1997 operating requirements and the remaining anticipated capital expenditures for 1997 of approximately \$4 million.

BUSINESS RISKS AND UNCERTAINTIES

The Company's operating results are substantially dependent on the semiconductor test handling equipment business conducted through its Delta Design and Daymarc subsidiaries. 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, which often have had a significant effect on the semiconductor industry's demand

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

BUSINESS RISKS AND UNCERTAINTIES (cont.)

for capital equipment, including equipment of the type manufactured and marketed by the Company. The Company believes that the markets for newer generations of semiconductors may also be subject to similar cycles and downturns such as that experienced in 1996. Reductions in capital equipment investment by semiconductor manufacturers will adversely affect the Company's results of operations.

As is common in the semiconductor equipment industry, the Company relies on a limited number of customers for a substantial percentage of its net sales. The loss of or a significant reduction in orders by these customers would adversely impact the Company's results of operations. Furthermore, the concentration of the Company's revenues in a limited number of large customers may cause significant fluctuations in the Company's future annual and quarterly operating results.

The semiconductor equipment industry is intensely competitive and the Company faces substantial competition from numerous companies throughout the world. Some of these competitors have substantially greater financial, engineering, manufacturing and customer support capabilities than the Company. 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 the Company. The Company expects its 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 the Company or its competitors to use certain intellectual property or technology could result in a loss of the Company's competitive position and reduced sales of existing products.

Semiconductor equipment and processes are subject to rapid technological change. The Company believes that its future success will depend in part on its ability to enhance existing products and develop new products with improved performance capabilities. The Company expects 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. There can be no assurance that future technologies, processes and product developments will not render the Company's current product offerings obsolete or that the Company will be able to develop and introduce new products or enhancements to its existing products in a timely manner to satisfy customer needs or achieve market acceptance.

Due to these 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 the Company's filings with the Securities and Exchange Commission, including but not limited to the 1996 Annual Report on Form 10-K, that could cause actual results to differ materially from those projected or forecasted. The Company undertakes no obligation to update the information, including the forward-looking statements, in this Form 10-Q.

Part II OTHER INFORMATION

Item 2. Changes in Securities

(c) During the quarter ended March 31, 1997, the Company issued 28,687 shares of common stock to Nicholas J. Cedrone. These shares were issued pursuant to the exemption provided by Section 4(2) of the Securities Act of 1933, in partial consideration for the acquisition of Daymarc Corporation in June 1994, with the amount of shares being determined by the operating results of Daymarc during 1996.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:

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 March 31, 1997.

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: April 30, 1997

/s/ Charles A. Schwan

Charles A. Schwan
President & Chief Executive Officer

Date: April 30, 1997

/s/ John H. Allen

John H. Allen
Vice President, Finance & Chief Financial Officer

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM 1996 AND 1997 FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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3-MOS		
	DEC-31-1996	
	JAN-01-1997	
	MAR-31-1997	
		9,659
		42,673
		25,787
		0
		18,849
	107,888	
		28,679
		11,641
		127,457
	25,600	
		0
	0	
		0
		9,385
		91,379
127,457		
		34,762
	34,762	
		19,908
		19,908
		0
		0
		0
		7,514
		2,800
	4,714	
		0
		0
		0
		4,714
		0.48
		0.00