COGNEX CORP

FORM 10-K
(Annual Report)

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

FORM 10-K

(Mark One)

[X] Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2000 or

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from to

COMMISSION FILE NUMBER 0-17869

COGNEX CORPORATION
(Exact name of registrant as specified in its charter)

MASSACHUSETTS	04-2713778
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

ONE VISION DRIVE
NATICK, MASSACHUSETTS 01760-2059
(508) 650-3000
(Address, including zip code, and telephone number, including area code, of principal executive offices)

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

Securities registered pursuant to Section 12(g) of the Act: Common Stock

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 the 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. [ ]

Aggregate market value of voting stock held by non-affiliates as of February 25, 2001: $983,555,000

$.002 par value common stock outstanding as of February 25, 2001:

43,472,063 shares

Documents incorporated by reference:
Specifically identified information in the Annual Report to Stockholders for the year ended December 31, 2000, is incorporated by reference into Parts I and II hereof.

Specifically identified information in the definitive Proxy Statement for the Special Meeting in Lieu of the 2000 Annual Meeting of Stockholders to be held on April 26, 2001, is incorporated by reference into Part III hereof.

A list of Exhibits to this Annual Report on Form 10-K is located on page 19

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PART I

The Company's results are subject to certain risks and uncertainties. This Annual Report on Form 10-K contains certain forward-looking statements within the meaning of the Federal Securities Laws. The Company's future results may differ materially from current results and actual results may differ materially from those projected in the forward-looking statements as a result of certain risk factors. Readers should pay particular attention to considerations described in the section captioned "Forward-Looking Statements" in Management's Discussion and Analysis of Financial Condition and Results of Operations appearing on page 32 of the Annual Report to Stockholders for the year ended December 31, 2000, which is Exhibit 13 hereto, and is incorporated herein by reference, as well as considerations included in other documents filed with the Securities and Exchange Commission.

ITEM 1. BUSINESS

CORPORATE PROFILE

Cognex(R) Corporation ("Cognex" or the "Company," each of which term includes, unless the context indicates otherwise, Cognex Corporation and its subsidiaries) was incorporated in Massachusetts in 1981. Its principal executive offices are located at One Vision Drive, Natick, Massachusetts 01760 and its telephone number is (508) 650-3000.

The Company designs, develops, manufactures, and markets machine vision systems that are used to automate a wide range of manufacturing processes where vision is required. Cognex machine vision systems consist of two primary elements: a computer, which serves as a "machine vision engine," and software that processes and analyzes images. When connected to a video camera, the machine vision system captures images and extracts information, which determines appropriate action for other equipment in the manufacturing process.

Machine vision systems are used in a variety of industries including the semiconductor, electronics, automotive, consumer products, metals, plastics, and paper industries. Machine vision is important for applications in which human vision is inadequate due to fatigue, visual acuity, or speed, or in instances where substantial cost savings are obtained through the reduction of direct labor or improved product quality. Today, many types of manufacturing equipment require machine vision because of the increasing demands for speed and accuracy in manufacturing processes, as well as the decreasing size of items being manufactured.

WHAT IS MACHINE VISION?

In a typical machine vision application, a video camera positioned on the production line captures an image of the part to be inspected. The machine vision computer then uses sophisticated image analysis software to extract information from the image and provide an answer to a question. Cognex machine vision systems can answer four types of questions:

QUESTION	DESCRIPTION	EXAMPLE
GUIDANCE		
Where is it?	Determining the exact physical location of an object.	Determining the position of a printed circuit board so that a robot can automatically be guided to insert electronic components.

IDENTIFICATION		
What is it?	Identifying an object by analyzing its shape or by reading a serial number.	Identifying the serial number on an automotive airbag so that it can be tracked and processed correctly through manufacturing.
INSPECTION		
How good is it?	Inspecting an object for flaws or defects.	Inspecting the quality of printing on pharmaceutical labels and packaging.
GAUGING		
What size is it?	Determining the dimensions of an object.	Determining the diameter of a bearing prior to final assembly.

Once the machine vision system has processed the image and performed any necessary analysis, the result is then communicated to other equipment on the factory floor, such as an industrial controller, a robotic arm, a deflector that removes the part from the line, a positioning table that moves the part, or alternatively, to a computer file for analysis or subsequent process control. This process is repeated during the manufacturing process as product moves into position in front of the camera. Machine vision systems can perform inspections quickly enough to keep pace with machines that process thousands of items or material feet per minute, thus increasing both quality and productivity.

THE MACHINE VISION MARKET

The machine vision market consists of two customer types: Original Equipment Manufacturers (OEMs) and end users. OEMs are companies that build standard products sold as capital equipment for end users on the factory floor. These customers, most of which are in the semiconductor and electronics industries, have the technical expertise to build Cognex's programmable, board-level machine vision systems directly into their products which are then sold to end users.

End users are companies that manufacture products, such as spark plugs, cellular telephones, surgical staples, metals, and paper. While they may purchase capital equipment containing machine vision or hire a system integrator to build an inspection system, many end users choose to purchase machine vision directly for specific applications on their production lines. Unlike OEMs and system integrators, these customers typically have little or no computer programming or machine vision experience.

System integrators are companies that create complete, automated inspection solutions for end users on the factory floor. For example, they combine lighting, conveyors, robotics, machine vision, and other components to produce custom inspection systems for various applications. Because system integrators encounter a broad range of automation problems, they purchase a variety of Cognex products, from general-purpose systems to application-specific systems tailored to solve particular manufacturing tasks. The Company includes system integrators in its definition of end users.

BUSINESS STRATEGY

The Company's goal is to expand its position as a leading worldwide supplier of machine vision systems for factory automation. Currently, the Company's products are designed for factory automation because the Company believes that this market offers the greatest opportunity for selling high value-added, standard products in high volume. Within the factory automation market, the Company has historically focused primarily on those customers who must have machine vision because of the increasing complexity of their products or manufacturing methods.

Emphasizing high value-added products and applications is important to the Company's strategy because not every segment of the machine vision market offers opportunity for sustained profitability. High value-added is realized in the Company's products in several ways. The primary value-added is derived from offering unique vision software algorithms that solve challenging problems better than competing products. The other major mode of realizing high value-added is by offering products which are complete solutions to known problems, incorporating all of the necessary vision software, applications software, hardware, and electro-optics. Both modes of realizing high value-added require the Company to maintain an industry-leading level of investment in research, development, and engineering.

Within the factory automation market, the Company has tailored its product offerings to match the characteristics of its two customer types: OEMs and end users. Historically, OEMs have been the source of the majority of the Company's revenue. However, the Company believes that end users have the potential in the long term to generate more revenue than OEMs. Consequently, the Company has invested in developing and acquiring products that meet the needs of end users and in developing a strong worldwide direct sales and support infrastructure. The Company will continue to invest in both customer types, defending its strong position in the OEM market while expanding in the end-user market.

The Company has historically pursued a global business strategy, investing in building a strong direct presence in North America, Japan, Europe, and Southeast Asia. In all of these regions, the Company is acknowledged to be a leading machine vision supplier. The Company intends to continue to invest in the expansion of direct sales and support in these regions. In 2000, approximately 69% of the Company's revenue came from customers based outside of the United States.

The factory automation market for machine vision is comprised of many market niches defined by differing application requirements, industries, and cost/performance criteria. The Company's business strategy includes selective expansion into other industrial machine vision applications through the internal development of new products, as well as the acquisition of companies and technologies. In 2000, the Company completed three acquisitions, all targeted at expanding the Company's presence in the worldwide end-user marketplace. In March, the Company acquired selected assets of the machine vision business of Komatsu Ltd., a division of Komatsu based in Japan that developed application-specific machine vision systems for end users. In April, the Company acquired all of the outstanding shares of Image Industries Ltd., a privately-held, United Kingdom-based developer of low-cost vision sensors for end users. In September, the Company acquired selected assets of the web inspection business of Honeywell International's Roibox subsidiary, a Finland-based developer of machine vision systems for inspecting paper.

PRODUCTS

The Company designs, develops, manufactures, and markets a wide range of machine vision products. These products include modular vision systems that are used to control the manufacturing of discrete items, such as semiconductor chips, cellular phones, and automobile wheels, by locating, identifying, inspecting, and measuring them during the manufacturing process. The Company's product offerings also include surface inspection vision systems that are used to inspect surfaces of materials that are processed in a continuous fashion, such as plastics, metals, and paper, to ensure that there are no flaws or defects on the surfaces.

Machine vision systems sold by the Company are defined as either general-purpose or application-specific products. General-purpose systems enable customers to solve a wide range of problems by selecting the tools necessary to solve their vision problem from the Company's vision software library, and then configuring their solution by utilizing a programmable language or point-and-click interface. Application-specific systems are "packaged" combinations of software and hardware that are designed to solve targeted problems.

GENERAL-PURPOSE SYSTEMS

Vision Software Library

The Company offers an extensive library of vision software that includes both low-level image processing software and high-level image analysis tools. The image processing software prepares the image for accurate analysis and the image analysis tools extract information about the image to locate, measure, and inspect objects and identify characters and codes. The library includes PatMax(R), a pattern location tool that can locate with very high accuracy objects that vary in size and orientation or whose appearance is degraded. The library also includes PatInspect(R), a vision software tool that combines high-accuracy part location and defect detection capabilities in a single vision operation and detects flaws along the edges or boundary regions of objects. In early 2000, the Company introduced a new tool called PatFind(TM) for the In-Sight(TM) product line. PatFind is a part location tool based on the Company's industry-leading Search and PatMax software technologies.

MVS-8000 Product Family

The MVS-8000(TM) product family of programmable machine vision systems combines Cognex's unique algorithms with Intel's MMX instruction set. The MVS-8100 Series features PCI bus-mastering frame grabbers for high-speed image transfer from the video camera to the host PC for processing and display. The MVS-8200 Series of embedded CPU machine vision systems enable all vision processing to occur on-board, freeing the PC to perform other tasks.

The MVS-8000 product family is sold primarily to OEMs located in North America, Japan, Europe, and Southeast Asia who integrate the machine vision systems into manufacturing equipment for the semiconductor and electronics industries. These machine vision systems are also sold to system integrators located principally in North America, Japan, Europe, and Southeast Asia who integrate the vision systems into manufacturing equipment for the factory floor in industries ranging from automotive to consumer products.

Checkpoint Product Family

Checkpoint(R) is a family of PC-based machine vision systems for complex precision guidance, gauging, and defect inspection applications. Checkpoint features a graphical user interface, and requires some knowledge of programming and machine vision to configure a vision application. Deployment of Checkpoint on the factory floor requires the services of trained system integrators to mechanically and electrically integrate Checkpoint into manufacturing lines.

In mid 2000, the Company introduced Checkpoint II, the next-generation version of Checkpoint designed for high-performance, multi-camera guidance, gauging, and defect inspection applications. Checkpoint II features faster vision processing and expanded camera support.

Checkpoint is sold primarily to end users located in North America, Japan, Europe, and Southeast Asia in a wide range of general manufacturing industries, such as manufacturers of medical devices, automotive parts, disposable consumer goods, and electronic components.

In-Sight Product Family

In early 2000, the Company entered the fast-growing market for low-cost vision sensors with its new In-Sight(TM) product line, providing Cognex's industry-leading vision technology in an affordable, stand-alone package that does not require programming skills or a PC to deploy. The first product, the In-Sight 2000, is a general-purpose vision sensor designed for part location, measurement, identification, and assembly verification tasks.

The Company introduced the In-Sight 3000 in late 2000 and the In-Sight 1000 in early 2001. Both products are general-purpose vision sensors with built-in Ethernet networking capability for remotely managing, monitoring, and controlling vision activity. The In-Sight 1000 combines a vision camera, software, and processing in a single, compact unit. The In-Sight 3000 is designed for more demanding applications and features a rugged vision processing unit and separate vision camera.

In-Sight vision sensors are so affordable, they can be deployed in multiple points throughout the manufacturing process where value is being added. In-Sight vision sensors include a comprehensive library of Cognex vision software tools, including the PatFind part location tool and an easy-to-use vision spreadsheet environment enabling anyone with basic spreadsheet skills to configure a vision application.

In-Sight is sold primarily to end users located in North America, Japan, Europe, and Southeast Asia in similar industries to the Checkpoint product family.

Other General-Purpose Systems

The Company continues to offer programmable machine vision systems that run on its own proprietary hardware including the Cognex 4000 Series which plugs directly into a VME backplane, as well as the Cognex 5000 Series which plugs into a PC.

APPLICATION-SPECIFIC SYSTEMS

The Company also offers a variety of application-specific systems that combine Cognex hardware and software to create a solution that is tailored to the particular requirements of certain vision applications. These products are sold to OEMs and end users worldwide. A partial list of application-specific systems is as follows:

In-Sight 1010(TM), introduced in late 2000, is a compact, standalone, Ethernet-ready vision sensor designed specifically for reading 2D matrix and linear bar codes on parts.

In-Sight 1700(TM), introduced in early 2001, is a compact vision sensor for identifying and tracking semiconductor wafers through the manufacturing process by reading 2D matrix, alphanumeric, and bar codes on wafers.

SMD 4(TM), introduced in mid 2000, is Cognex's next-generation machine vision system for guiding the placement of surface mount devices onto printed circuit boards and other assemblies.

BGA II(TM) inspects ball grid array devices for missing, misplaced, or improperly formed solder balls.

Fiducial Finder II(TM) locates fiducial or alignment marks on printed circuit boards for automatic printed circuit board alignment.

DisplayInspect(TM) software inspects the small, high-resolution displays commonly found on cellular phones, pagers, medical test instruments, and other electronic devices.

iS(TM) High Performance Inspection Systems detect and classify defects in the most challenging surface inspection applications. iS systems are built from a family of hardware and software components which include proprietary line-scan cameras with motorized camera mounts, specialized lighting systems, ultra-high performance image processing boards, Unix workstations, and intelligent defect detection and classification software algorithms. iS systems can contain from one to sixty cameras and can be used to inspect webs up to 25 feet wide at speeds of up to 5,000 feet per minute. iS systems are primarily sold to producers of metals, specialized coated paper, and high-value non-woven materials.

SmartView(TM) Imaging Camera Network (ICN), introduced in early 2000, detects, identifies, and presents an image of defects on products made in continuous processes. SmartView ICN provides greyscale imaging capability to visualize the defects as well as a visual quality snapshot of the inspected web or surface. SmartView ICN is a modular and scalable system on an open Microsoft NT platform that enables the Company to expand into more complex vision applications in paper, nonwovens, and metals previously only achievable with iS systems.

RESEARCH, DEVELOPMENT, AND ENGINEERING

The Company engages in research, development, and engineering (R, D & E) to enhance its existing products and to develop new products and functionality to meet market opportunities. In addition to internal research and development efforts, the Company intends to continue its strategy of gaining access to new technology through strategic relationships and acquisitions where appropriate. The Company considers its on-going efforts in R, D & E to be a key component of its strategy.

At December 31, 2000, the Company employed 195 professionals in R, D & E, most of whom are software developers. The Company's R, D & E expenses totaled $33,341,000, $27,536,000, and $24,535,000, or 13%, 18%, and 20% of revenue, in 2000, 1999, and 1998, respectively.

MANUFACTURING

The majority of the Company's machine vision systems are manufactured at its Natick, Massachusetts headquarters. The Company's Natick manufacturing organization utilizes a turnkey manufacturing operation whereby the majority of component procurement, subassembly, final assembly, and initial testing are performed under agreement by third-party contractors. After the completion of initial testing, the third-party contractors deliver the products to the Company to perform final testing and assembly. The products provided by the third-party contractors are manufactured using specified components and assembly and test documentation created and controlled by the Company. Certain components purchased by the third-party contractors are presently available from a single source.

The Company's SmartView ICN and iS Inspection systems are manufactured at its Alameda, California facility. The manufacturing processes at the Alameda facility consists of systems design, configuration management and control, component procurement, subassembly, system integration, final test, quality control, and shipment. System installation and commissioning are performed by either the Company or its customers. Certain products are manufactured by third-party contractors using documentation created and controlled by the Company. Certain components are presently available from a single source.

SALES AND SUPPORT

The Company primarily markets its products through a direct sales force in North America, Japan, Europe, and Southeast Asia. At December 31, 2000, the Company's direct sales and service force consisted of 225 professionals, including sales and application engineers. The majority of the Company's sales and service personnel have engineering or science degrees. Sales engineers call directly on targeted accounts and coordinate the activity of the application engineers. They focus on potential customers that represent possible volume purchases and long-term relationships. Opportunities that represent single-unit sales or turnkey system requirements are identified by the sales engineer and turned over to an independent system integrator that uses the Company's products. The Company sells to OEMs, many of whom have entered or are expected to enter into volume discount contracts with the Company. These contracts are typically for one year and have associated delivery schedules.

Sales to international customers represented approximately 69% of revenue in 2000 and 1999 and 63% of revenue in 1998. One customer based in Japan, Fuji America Corporation, accounted for approximately 10%, 13%, and 14% of revenue in 2000, 1999, and 1998, respectively. Information about operating segments and geographic areas, as well as foreign currency and related risk may be found in the Notes to the Consolidated Financial Statements, appearing on pages 53 through 54 and pages 40 through 44 of the Annual Report to Stockholders for the year ended December 31, 2000, which is Exhibit 13 hereto, and is incorporated herein by reference. Although international sales may from time to time be subject to federal technology export regulations, the Company to date has not suffered delays or prohibitions in sales to any of its foreign customers.

The Company's support offerings include vision solutions consulting services, technical support, educational services, and product services. The Company's vision solutions consulting group provides, for a fee, services that range from a specific piece of programmed functionality to a completely integrated machine vision application. The technical support group consists of a team of vision experts ready to respond to questions that may arise while customers are developing or deploying a Cognex machine vision application. The educational services group offers a variety of product courses that are held at its Customer Education Center in Natick, Massachusetts, and at certain of its worldwide offices, as well as at customer facilities when required. The product services group offers a variety of software and hardware maintenance programs that provide updates on the latest software releases and new software vision tools.

INTELLECTUAL PROPERTY

Since the Company relies on the technical expertise, creativity, and knowledge of its personnel, it utilizes patent, trademark, copyright, and trade secret protection to safeguard its competitive position. At December 31, 2000, the Company had obtained 99 patents on various innovations in the field of machine vision technology and had over 140 pending patent applications. In addition, the Company makes use of non-disclosure agreements with customers, suppliers, employees, and consultants. The Company attempts to protect its intellectual property by restricting access to its proprietary information by a combination of technical and internal security measures. There can be no assurance however, that any of the above measures will be adequate to protect the proprietary technology of the Company. Effective patent, trademark, copyright, and trade secret protection may be unavailable in certain foreign countries.

The Company's trademark and servicemark portfolio includes various registered marks, including but not limited to Cognex(R), Checkpoint (R), PatMax(R), and PasteInspect(R), as well as many common-law marks, including but not limited to, acuReader(TM), DisplayInspect(TM), PatFind(TM), and SmartView(TM). In addition, the Company has sought and obtained a number of trademark registrations outside of the United States. All third-party brand names, service marks, and trademarks referenced in this document are the property of their respective owners.

The Company's software products are protected by various security schemes and are primarily licensed to customers pursuant to a license agreement that restricts the use of the products to the customer's purposes, as well as imposes strict limitations on the customer's use of the Company's trade secret, proprietary, and other confidential business information to which the customer may have access. The Company has made portions of the source code available to certain customers under very limited circumstances and for restricted uses. If source code is released to a customer, the customer is required by contract to maintain its confidentiality and, in general, to use the source code solely for internal purposes or for maintenance.

Numerous users of the Company's products have received notice of patent infringement from the Lemelson Medical, Educational, & Research Foundation, Limited Partnership ("Partnership") alleging that their use of the Company's products infringes certain patents transferred to the Partnership by the late Jerome H. Lemelson. Certain of these users have notified the Company that, in the event it is subsequently determined that their use of the Company's products infringes any of the Partnership's patents, they may seek indemnification from the Company for damages or expenses resulting from this matter. Cognex disclaims liability with respect to such indemnification requests.

In July 1998, the Partnership filed a lawsuit against 26 semiconductor device manufacturers asserting infringement upon numerous Lemelson patents including certain machine vision patents. Several of the defendants are users of the Company's products that were purchased primarily from the Company's OEM customers whose equipment incorporates such products. As a result of this action and the continuing assertions against other current and potential Cognex customers, the Company decided to initiate action against the Partnership in order to preserve its right to sell machine vision products without the threat of legal action against the Company or its customers. Accordingly, on September 23, 1998, the Company filed a complaint against the Partnership seeking a declaration that Lemelson's machine vision patents are invalid, unenforceable, and not infringed by either Cognex or by any users of Cognex products. The complaint was served on the Partnership on October 14, 1998. The Company refiled the lawsuit in Reno, Nevada on September 27, 1999 after the Judge in Massachusetts ruled that Massachusetts was not the proper jurisdiction. The Company refiled in Nevada where several other Lemelson lawsuits are in progress and where no jurisdiction controversy exists. It will likely be at least two years from the date of this filing before a decision is rendered by the Court. The Company does not believe its products infringe any valid and enforceable claims of Lemelson's patents. Furthermore, the Partnership has stated that it is not the Company's products that infringe Lemelson's patents, but rather the use of those products by the Company's customers.

On May 2, 2000, Cognex filed a complaint in the Federal District Court in Wilmington, Delaware against National Instruments Corporation. The lawsuit includes claims of infringement of certain Cognex patents, copyrights, and trademarks, as well as a claim of unfair competition. Based on the current Court ordered schedule, trial is expected to begin in approximately one year from the date of this filing.

On February 14, 2001, Cognex filed a complaint in the Federal District Court in Boston, Massachusetts against Electro Scientific Industries, Inc ("ESI"). The lawsuit claims that ESI infringes certain Cognex patent rights. At the date of this filing, a scheduling order has not been issued by the Court, and therefore, the trial date cannot be reasonably predicted.

The Company cannot predict the outcome of the Lemelson, National Instruments, ESI, or any similar litigation that may arise in the future, or the effect of such litigation on the financial results of the Company.

COMPETITION

The Company competes with other vendors of machine vision systems, the internal engineering efforts of the Company's current or prospective customers, and the manufacturers of image processing systems. Any of these competitors may have greater financial and other resources than the Company. Although the Company considers itself to be one of the leading machine vision companies in the world, reliable estimates of the machine vision market and the number of competitors are almost non-existent, primarily because of definitional confusion and a tendency toward double-counting of sales. The primary competitive factors affecting the choice of a machine vision system include product functionality and performance (e.g. speed, accuracy, and reliability) under real-world operating conditions, flexibility, programmability, and the availability of application support from the vendor. More recently, ease-of-use has become a competitive factor and product price has become a more significant factor with respect to simpler guidance and gauging applications. The Company competes with the low-cost smart camera and vision sensor solutions being introduced by various competitors on the basis of superior performance and price, rather than on price alone, through its In-Sight products.

BACKLOG

At December 31, 2000, the Company's backlog totaled $41,797,000 compared to $36,788,000 at December 31, 1999. Backlog reflects purchase orders for products scheduled for shipment within three months. The level of backlog at any particular date is not necessarily indicative of future revenue of the Company. Delivery schedules may be extended and orders may be canceled at any time subject to certain cancellation penalties.

EMPLOYEES

At December 31, 2000, the Company employed 781 persons, including 375 in sales, marketing, and support activities; 195 in research, development, and engineering; 70 in manufacturing and quality assurance; and 141 in information technology, finance, and administration. Of the Company's 781 employees, 275 are located outside of the United States. None of the Company's employees are represented by a labor union and the Company has experienced no work stoppages. The Company believes that its employee relations are good.

ITEM 2: PROPERTIES

In 1994, the Company purchased and renovated a 100,000 square-foot building located in Natick, Massachusetts that serves as it's corporate headquarters. In 1997, the Company completed construction of a 50,000 square-foot addition to this building.

In 1995, the Company purchased an 83,000 square-foot office building adjacent to its corporate headquarters. The building is currently largely occupied with tenants who have lease agreements that expire at various dates through 2002, at which point, the Company may take occupancy of the building. The Company uses a small portion of the space for storage of inventory.

In 1997, the Company purchased a three and one-half acre parcel of land situated on Vision Drive, adjacent to the Company's corporate headquarters. This land is anticipated to be used for future expansion.

ITEM 3: LEGAL PROCEEDINGS

To the Company's knowledge, there are no pending legal proceedings, other than as described in "Business - Patents and Licenses," which are material to the Company to which it is a party or to which any of its property is subject. From time to time, however, the Company may be subject to various claims and lawsuits by customers and competitors arising in the normal course of business, including suits charging patent infringement.

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

There were no matters submitted during the fourth quarter of the year ended December 31, 2000 to a vote of security holders through solicitation of proxies or otherwise.

ITEM 4A: EXECUTIVE OFFICERS AND OTHER MEMBERS OF THE MANAGEMENT TEAM OF THE REGISTRANT

The following table sets forth the names, ages, and titles of the Company's executive officers at December 31, 2000:

NAME	AGE	TITLE
Robert J. Shillman	54	President, Chief Executive Officer, and Chairman of the Board of Directors
Patrick Alias	55	Executive Vice President, Worldwide Sales and Marketing

Messrs. Shillman and Alias have been employed by the Company in their present or other capacities for no less than the past five years.

Executive officers are elected annually by the Board of Directors. There are no family relationships among the directors and the executive officers of the Company.

OTHER MEMBERS OF THE MANAGEMENT TEAM

NAME	AGE	TITLE
Markku Jaaskelainen	46	Corporate Vice President and General Manager, SISD
Marilyn Matz	47	Senior Vice President - Software Development
E. John McGarry	44	Senior Vice President
Richard Morin	51	Vice President of Finance, Chief Financial Officer, and Treasurer
William Silver	47	Senior Vice President and Chief Technology Officer
Justin Testa	48	Senior Vice President - Marketing

Messrs. Silver, McGarry, and Testa and Ms. Matz have been employed by the Company in their present or other capacities for no less than the past five years.

Mr. Jaaskelainen joined the Company in 1999. Prior to joining the Company, Mr. Jaaskelainen served as Vice President of Systems Strategy for Honeywell-Measurex Corporation, where he was responsible for overseeing and coordinating all new product development.

Mr. Morin joined the Company in 1999 after ten years as Chief Financial Officer for C&K Components, Inc., an international manufacturer of electronic components and security systems. Mr. Morin also served as Corporate Controller and Vice President of Finance for the Jamesbury Corporation. Mr. Morin is a Certified Public Accountant.

PART II

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

Certain information with respect to this item may be found in the section captioned "Selected Quarterly Financial Data," appearing on page 60, and the section captioned "Company Information," appearing on page 61 of the Annual Report to Stockholders for the year ended December 31, 2000 which is Exhibit 13 hereto, and is incorporated herein by reference.

On April 20, 2000, the Company acquired all of the outstanding shares of Image Industries, Ltd., a privately-held manufacturer of low-cost machine vision systems located in the United Kingdom. The purchase price of $2,706,000 included $876,000 in cash at closing, $878,000 in cash to be paid through 2002, and 17,619 shares of Cognex common stock, issued from treasury, with a fair value of $952,000. The shares were issued to three persons in reliance upon the exemption afforded by Section 4(2) of the Securities Act of 1933 for transactions not involving a public offering.

The Company has never declared or paid cash dividends on shares of its common stock. The Company currently intends to retain all of its earnings to finance the development and expansion of its business and therefore does not intend to declare or pay cash dividends on its common stock in the foreseeable future. Any future declaration and payment of dividends will be subject to the discretion of the Company's Board of Directors, will be subject to applicable law, and will depend upon the Company's results of operations, earnings, financial condition, contractual limitations, cash requirements, future prospects, and other factors deemed relevant by the Company's Board of Directors.

ITEM 6: SELECTED FINANCIAL DATA

Information with respect to this item may be found in the section captioned "Five-Year Summary of Selected Financial Data," appearing on page 59 of the Annual Report to Stockholders for the year ended December 31, 2000, which is Exhibit 13 hereto, and is incorporated herein by reference.

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

Information with respect to this item may be found in the section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations," appearing on pages 26 through 32 of the Annual Report to Stockholders for the year ended December 31, 2000, which is Exhibit 13 hereto, and is incorporated herein by reference.

ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company maintains investment portfolio holdings of various issuers, types, and maturities. The Company's cash and investments include cash equivalents, which the Company considers to be investments purchased with original maturities of three months or less. Investments having original maturities in excess of three months are stated at amortized cost, which approximates fair value, and are classified as available-for-sale. Given the short maturities and investment grade quality of the portfolio holdings at December 31, 2000, a sharp rise in interest rates should not have a material adverse impact on the fair value of the Company's investment portfolio. As a result, the Company does not currently hedge these interest rate exposures.

The Company faces exposure to financial market risks, including adverse movements in foreign currency exchange rates. These exposures may change over time as business practices evolve and could have a material adverse impact on the Company's financial results. The Company's primary exposure has been related to local currency revenue and operating expenses in Japan, Europe, and Southeast Asia. Historically, the Company has hedged currency exposures associated with certain intercompany payables denominated in local currencies and certain foreign currency revenue transactions. The goal of the Company's hedging activity is to offset the impact of currency fluctuations on certain local currency intercompany payables and foreign currency revenue transactions. The success of this activity depends upon forecasts of transaction activity denominated in various currencies. To the extent that these forecasts are overstated or understated during periods of currency volatility, the Company could experience unanticipated currency gains or losses.

Outstanding forward foreign exchange contracts in Japanese yen at December 31, 2000 mature within 6 months. Indicators as of March 5, 2001, show that the dollar is expected to strengthen against the yen by June 30, 2001, to approximately 120 yen/USD. The hypothetical gain in cash flows of these yen forward contracts is estimated to be $481,287 using these assumptions.

Outstanding forward foreign exchange contracts in the Euro dollar at December 31, 2000 mature within approximately 2 years. Indicators as of March 5, 2001, show that the dollar is expected to strengthen against the Euro dollar by September 30, 2002, to approximately .8500 Euro/USD. The hypothetical gain in cash flows of these Euro forward contracts is estimated to be $74,844 using these assumptions.

The following table (dollars in thousands) presents hypothetical changes in fair value in the Company's financial instruments at December 31, 2000 that are sensitive to changes in interest rates. The modeling technique measures the change in fair value arising from selected potential changes in interest rates. Movements in interest rates of plus or minus 50 basis points ("BP") and 100 BP reflect immediate hypothetical shifts in the fair value of these investments. Fair value represents the market value of the principal plus accrued interest and dividends of certain interest-rate-sensitive securities at December 31, 2000.

Type of security	Valuation of securities given an interest rate decrease		No change in interest rates	Valuation of securities given an interest rate increase	
	(100 BP)	(50 BP)		50 BP	100 BP
Municipal obligations with contractual maturities no greater than 3 years	$253,417,528	$252,252,551	$251,002,367	$249,843,477	$248,689,454

A 50 BP move in the Federal Funds Rate has occurred in 8 of the last 40 quarters. There has not been a 100 BP movement in the Federal Funds Rate in any of the last 40 quarters.

The Company has equity securities purchased in the Japanese market with a fair value of approximately $5,571,000 and an unrealized loss of $1,891,000 at December 31, 2000. The unrealized gain (loss) recorded as other comprehensive income (loss) is made up of two components - the yen strengthening (weakening) against the dollar and the appreciation (depreciation) of the stock price. Indicators as of March 5, 2001, show that the dollar is expected to strengthen against the yen by December 31, 2001, to approximately 128 yen/USD. Based on these indicators, a hypothetical change in the fair value due to a weakening yen would be a $594,000 unrealized gain. The potential change in the fair value due to a hypothetical 10% increase or decrease in the stock price would be a $557,000 change in the unrealized gain (loss).

ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Information with respect to this item, which includes the consolidated financial statements and notes thereto, report of independent accountants, and supplementary data, may be found on pages 33 through 60 of the Annual Report to Stockholders for the year ended December 31, 2000, which is Exhibit 13 hereto, and is incorporated herein by reference.

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

There were no changes in or disagreements with accountants on accounting or financial disclosure during 2000 or 1999.

PART III

ITEM 10: DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information with respect to Directors of the Company may be found in the section captioned "Election of Directors," appearing in the definitive Proxy Statement for the Special Meeting in Lieu of the 2001 Annual Meeting of Stockholders to be held on April 26, 2001. Such information is incorporated herein by reference. Information with respect to Executive Officers of the Company may be found in the section captioned "Executive Officers and Other Members of the Management Team of the Registrant," appearing in Part I of this Annual Report on Form 10-K.

ITEM 11: EXECUTIVE COMPENSATION

Information with respect to this item may be found in the sections captioned "Information Concerning the Board of Directors," "Compensation/Stock Option Committee Report on Executive Compensation," "Comparison of Five Year Cumulative Total Returns Performance Graph for Cognex Corporation," and "Executive Compensation," appearing in the definitive Proxy Statement for the Special Meeting in Lieu of the 2001 Annual Meeting of Stockholders to be held on April 26, 2001. Such information is incorporated herein by reference.

ITEM 12: SECURITY OWNERSHIP AND CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information with respect to this item may be found in the sections captioned "Principal Holders of Voting Securities" and "Security Ownership of Directors and Officers," appearing in the definitive Proxy Statement for the Special Meeting in Lieu of the 2001 Annual Meeting of Stockholders to be held on April 26, 2001. Such information is incorporated herein by reference.

ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information with respect to this item may be found in the section captioned "Compensation Committee Interlocks and Insider Participation," appearing in the definitive Proxy Statement for the Special Meeting in Lieu of the 2001 Annual Meeting of Stockholders to be held on April 26, 2001. Such information is incorporated herein by reference.

PART IV

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

(a) (1) Financial Statements The following consolidated financial statements of Cognex Corporation and the report of independent accountants relating thereto are included in the Company's Annual Report to Stockholders for the year ended December 31, 2000, which is Exhibit 13 hereto, and is incorporated herein by reference:

Report of Independent Accountants

Consolidated Statements of Income for the years ended December 31, 2000, 1999, and 1998

Consolidated Balance Sheets at December 31, 2000 and 1999

Consolidated Statements of Stockholders' Equity for the years ended December 31, 2000, 1999, and 1998

Consolidated Statements of Cash Flows for the years ended December 31, 2000, 1999 and 1998

Notes to Consolidated Financial Statements

(2) Financial Statement Schedule

Included at the end of this report are the following:

Report of Independent Accountants on the Financial Statement Schedule

Schedule II - Valuation and Qualifying Accounts

Other schedules are omitted because of the absence of conditions under which they are required or because the required information is given in the consolidated financial statements or notes thereto.

(3) Exhibits

The Exhibits filed as part of this Annual Report on Form 10-K are listed in the Exhibit Index appearing on page 18, immediately preceding such Exhibits.

(b) Reports on Form 8-K

There were no Reports on Form 8-K filed during the fourth quarter of the year ended December 31, 2000.

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.

COGNEX CORPORATION

/s/ Robert J. Shillman
Robert J. Shillman
(President, Chief Executive Officer,
and Chairman of the Board of Directors)
March 26, 2001

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/ Robert J. Shillman Robert J. Shillman	President, Chief Executive Officer, and Chairman of the Board of Directors (principal executive officer)	March 26, 2001
/s/ Richard Morin Richard Morin	Vice President of Finance, Chief Financial Officer, and Treasurer (principal financial and accounting officer)	March 26, 2001
/s/ Jerald Fishman Jerald Fishman	Director	March 26, 2001
/s/ William Krivsky William Krivsky	Director	March 26, 2001
/s/ Anthony Sun Anthony Sun	Director	March 26, 2001
/s/ Reuben Wasserman Reuben Wasserman	Director	March 26, 2001

REPORT OF INDEPENDENT ACCOUNTANTS
ON THE FINANCIAL STATEMENT SCHEDULE

To the Board of Directors of Cognex Corporation:

Our audits of the consolidated financial statements referred to in our report dated January 22, 2001 appearing in the 2000 Annual Report to Stockholders of Cognex Corporation (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 14 (a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

Boston, Massachusetts
January 22, 2001

/s/ PricewaterhouseCoopers LLP

SCHEDULE II

COGNEX CORPORATION
VALUATION AND QUALIFYING ACCOUNTS
(Dollars in thousands)

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS: CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS	DEDUCTIONS	OTHER	BALANCE AT END OF PERIOD
Allowance for Doubtful Accounts						
2000	$2,836	$ 275	-	$ (624)(a)	$(337)(c)	$2,150
1999	2,583	1,050	-	(797)(a)		$2,836
1998	1,940	1,245	-	(602)(a)		2,583
Reserve for Inventory Obsolescence						
2000	$3,955	$ 785	-	$(1,031)(b)		$3,709
1999	2,860	$1,545	-	(450)(b)		$3,955
1998	1,873	992	-	(5)(b)		2,860

(a) Specific write-offs
(b) Specific dispositions
(c) Reversal of specific write-offs due to collection

EXHIBIT INDEX

EXHIBIT NUMBER	
3A	Articles of Organization of the Company effective January 8, 1981, as amended June 8, 1982, August 19, 1983, May 15, 1984, April 17, 1985, November 4, 1986, and January 21, 1987 (incorporated by reference to Exhibit 3A to the Registration Statement Form S-1 [Registration No. 33-29020])
3B	Restated Articles of Organization of the Company effective June 27, 1989, as amended April 30, 1991, April 21, 1992, April 25, 1995, and April 23, 1996 (filed as Exhibit 3B to the Company's Annual Report of Form 10-K for the year ended December 31, 1996)
3C	By-laws of the Company as amended February 9, 1990 (filed as Exhibit 3C to the Company's Annual Report on Form 10-K for the year ended December 31, 1990)
4	Specimen Certificate for Shares of Common Stock (incorporated by reference to Exhibit 4 to the Registration Statement Form S-1 [Registration No. 33-29020])
10A	Cognex Corporation Employee Stock Purchase Plan (incorporated by reference to Exhibit 4A to Amendment No. 1 to the Registration Statement Form S-8 [Registration No. 33-32815])
10B	Cognex Corporation 1992 Director Stock Option Plan (filed as Exhibit 10I to the Company's Annual Report on Form 10-K for the year ended December 31, 1992) Cognex Corporation 1993 Director Stock Option Plan (filed as Exhibit 10J to the Company's Annual Report on Form
10C	10-K for the year ended December 31, 1993)
10D	Cognex Corporation 1993 Employee Stock Option Plan, as amended May 28, 1996 (incorporated by reference to Exhibit 4A to the Registration Form S-8 [Registration No. 333-4621])
10E	Cognex Corporation 1996 Long-Term Incentive Plan (incorporated by reference to Exhibit 4A to the Registration Statement Form S-8 [Registration No. 333-2151])
10F	Amendment to the Cognex Corporation 1993 Director Stock Option Plan (filed as Exhibit 10G to the Company's Annual Report on Form 10-K for the year ended December 31, 1997)
10G	Amendment to the Cognex Corporation 1993 Employee Stock Option Plan (filed as Exhibit 10H to the Company's Annual Report on Form 10-K for the year ended December 31, 1997)
10H	Cognex Corporation 1998 Non-Employee Director Stock Option Plan (incorporated by reference to Exhibit 4.1 to the Registration Form S-8 [Registration No. 333-60807])
10I	Cognex Corporation 1998 Stock Incentive Plan (incorporated by reference to Exhibit 4.2 to the Registration Form S-8 [Registration No. 333-60807])
13	Annual Report to Stockholders for the year ended December 31, 2000 (which is not deemed to be "filed" except to the extent that portions thereof are expressly incorporated by reference in this Annual Report on Form 10-K) *
21	Subsidiaries of the registrant *
23	Consent of PricewaterhouseCoopers LLP *

* Filed herewith

Exhibit 13

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

SUMMARY

Revenue for the year ended December 31, 2000 increased 65% from the prior year due to growth in sales to original equipment manufacturer (OEM) customers, most of whom make capital equipment used in the semiconductor and electronics industries, as well as an increase in sales to end-user customers. Sales to OEM customers increased 68% from 1999, and sales to end-user customers increased 59% from the same period.

During the year, the Company continued to invest in new product development and end-user market penetration. This spending was outpaced, however, by the growth in revenue, resulting in a 152% increase in operating income from 1999. Net income increased 124% from the prior year and represented 27% of revenue in 2000.

The Company's financial position remained strong at December 31, 2000, with $436 million in total assets and $384 million in stockholders' equity. Working capital was $168 million at December 31, 2000, representing an increase of 33% from the prior year.

The following table sets forth certain consolidated financial data as a percentage of revenue:

Year ended December 31,	2000	1999	1998
Revenue	100%	100%	100%
Cost of revenue	25	30	31
Gross profit	75	70	69
Research, development, and engineering expenses	13	18	20
Selling, general, and administrative expenses	25	29	31
Amortization of goodwill	1		
Charge for acquired in-process technology			2
Operating income	36	23	16
Investment and other income	4	5	6
Income before provision for income taxes	40	28	22
Provision for income taxes	13	8	5
Net income	27%	20%	17%

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 2000 COMPARED TO YEAR ENDED DECEMBER 31, 1999

Revenue for the year ended December 31, 2000 increased 65% to $250,726,000 from $152,125,000 for the year ended December 31, 1999. The increase in revenue was due to higher demand from both the Company's OEM and end-user customers. Sales to OEM customers increased $63,699,000, or 68%, from the prior year due to a higher volume of machine vision systems sold to the Company's core OEM customers who make capital equipment for the semiconductor and electronics industries. Sales to OEM customers represented 63% of total revenue in 2000 compared to 61% of total revenue in 1999. Sales to end-user customers increased $34,902,000, or 59%, from the prior year due largely to the introduction of the In-Sight and SmartView ICN products early in 2000, which are both targeted toward the end-user market.

Geographically, revenue increased in all of the Company's regions from 1999. Sales to customers in Japan and North America increased $49,697,000, or 74%, and $30,463,000, or 64%, respectively, primarily due to the increase in sales to the Company's OEM customers, most of whom are located in these regions. Sales to customers in Europe increased $15,836,000, or 48%, due largely to higher demand from European manufacturers of cellular telephones.

During the fourth quarter of 2000, the Company's order rate slowed from the record pace experienced in the third quarter due to delays and cutbacks in capital equipment spending by manufacturers in the semiconductor and electronics industries. Over the past several weeks, the order rate from customers in these industries has continued to decline. In addition, the Company recently began to experience slow order trends from customers in other industries whose businesses are being impacted by the slowing economy. As a result, the Company anticipates that its revenue for the first quarter of 2001 will be approximately 35% lower than that reported in the fourth quarter of 2000. At this time, the Company has limited visibility to customer demand beyond the first quarter of 2001 due to shortened order lead times. Due to this lack of visibility, as well as the high level of uncertainty regarding the timing of a business recovery, the Company is implementing a conservative spending plan for 2001.

Gross profit as a percentage of revenue for 2000 was 75% compared to 70% for 1999. The increase in the gross margin was due primarily to manufacturing efficiencies that resulted from increased product sales without a significant increase in manufacturing overhead, as well as improved gross margins on the Company's surface inspection products, including SmartView ICN.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

RESULTS OF OPERATIONS (CONTINUED)

YEAR ENDED DECEMBER 31, 2000 COMPARED TO YEAR ENDED DECEMBER 31, 1999
(CONTINUED)

Research, development, and engineering expenses for the year ended December 31, 2000 increased 21% to $33,341,000 from $27,536,000 for the year ended December 31, 1999. The increase in aggregate expenses was due primarily to higher personnel-related costs to support the Company's continued investment in the research and development of new and existing products. Included in the higher personnel-related costs are the expenses associated with the additional employees from the three acquisitions completed during the year. Expenses as a percentage of revenue decreased from 18% in 1999 to 13% in 2000 as a result of revenue increasing at a faster rate than spending. Due to the conservative spending plan implemented for 2001, the Company anticipates that aggregate expenses will decrease from the level experienced in the fourth quarter of 2000.

Selling, general, and administrative expenses for the year ended December 31, 2000 increased 42% to $61,915,000 from $43,523,000 for the year ended December 31, 1999. The increase in aggregate expenses was due primarily to higher personnel-related costs to support the Company's expanding worldwide operations and to grow the Company's end-user business, as well as increased marketing costs associated with the introduction of the In-Sight and SmartView ICN products. Included in the higher personnel-related costs are the expenses associated with the additional employees from the three acquisitions completed during the year. Expenses as a percentage of revenue declined from 29% in 1999 to 25% in 2000 as a result of revenue increasing at a faster rate than spending. Due to the conservative spending plan implemented for 2001, the Company anticipates that aggregate expenses will decrease from the level experienced in the fourth quarter of 2000.

Amortization of goodwill for the year ended December 31, 2000 totaled $1,964,000 compared to $265,000 for the year ended December 31, 1999. The increase in amortization expense was due to goodwill associated with the three acquisitions completed during the year.

Investment income for the year ended December 31, 2000 increased 44% to $9,494,000 from $6,572,000 for the year ended December 31, 1999. The increase in investment income was due primarily to higher average interest rates on the Company's portfolio of investments, which consists principally of debt securities, as well as a higher average invested balance in 2000.

Other income for the year ended December 31, 2000 totaled $1,038,000 compared to $728,000 for the year ended December 31, 1999. Other income consists primarily of

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

RESULTS OF OPERATIONS (CONTINUED)

YEAR ENDED DECEMBER 31, 2000 COMPARED TO YEAR ENDED DECEMBER 31, 1999
(CONTINUED)

rental income, net of related expenses, from leasing the building adjacent to the Company's corporate headquarters.

The Company's effective tax rate for 2000 was 32% compared to 29% for 1999. The increase in the effective tax rate was due primarily to the higher operating income in 2000, increased investments in the Company's foreign operations, and the diminishing effect of tax-free investments.

YEAR ENDED DECEMBER 31, 1999 COMPARED TO YEAR ENDED DECEMBER 31, 1998

Revenue for the year ended December 31, 1999 increased 25% to $152,125,000 from $121,844,000 for the year ended December 31, 1998. During 1999, the Company experienced an increase in demand as its customers recovered from the 1998 slowdown in capital spending by manufacturers in the semiconductor and electronics industries. The increase in revenue of $30,281,000, or 25%, from 1998 was due primarily to a higher volume of machine vision systems sold to the Company's core OEM customers who serve these industries. Sales to OEM customers increased $23,575,000, or 34%, from the prior year and represented 61% of total revenue in 1999 compared to 57% of total revenue in 1998. Sales to end-user customers increased $6,706,000, or 13%, from the prior year as a result of increased volume from customers in general manufacturing industries, such as automotive and consumer products.

While revenue increased in all of the Company's worldwide regions from 1998, the most significant increase was in Japan, where most of the Company's core OEM customers are located. Sales to customers located in Japan increased $18,615,000, or 38%, from the prior year. Sales to customers located in Europe increased $7,816,000, or 31%, from 1998 due primarily to a large general manufacturing customer base in this region. Sales to customers located in the United States increased $1,857,000, or 4%, from the prior year.

Gross profit as a percentage of revenue for 1999 was 70% compared to 69% for 1998. The increase in the gross margin was due primarily to manufacturing efficiencies that resulted from increased product sales without a significant increase in manufacturing overhead, as well as a lower percentage of service revenue which carries a lower gross margin than product revenue.

Research, development, and engineering expenses for the year ended December 31, 1999 increased 12% to $27,536,000 from $24,535,000 for the year ended December 31, 1998.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

RESULTS OF OPERATIONS (CONTINUED)

YEAR ENDED DECEMBER 31, 1999 COMPARED TO YEAR ENDED DECEMBER 31, 1998
(CONTINUED)

The increase in aggregate expenses was due primarily to higher personnel-related costs to support the Company's continued investment in the research and development of new and existing products. Expenses as a percentage of revenue declined from 20% in 1998 to 18% in 1999 as a result of revenue increasing at a faster rate than spending.

Selling, general, and administrative expenses for the year ended December 31, 1999 increased 15% to $43,523,000 from $37,973,000 for the year ended December 31, 1998. The increase in aggregate expenses was due primarily to higher personnel-related costs to support the Company's expanding worldwide operations, including employee bonuses which were reinstated in 1999. Expenses as a percentage of revenue declined from 31% in 1998 to 29% in 1999 as a result of revenue increasing at a faster rate than spending.

Investment income for the year ended December 31, 1999 decreased 3% to $6,572,000 from $6,756,000 for the year ended December 31, 1998. The decrease in investment income was due primarily to lower average interest rates on the Company's portfolio of investments, which consists principally of debt securities.

Other income for the year ended December 31, 1999 remained relatively consistent at $728,000 compared to $733,000 for the year ended December 31, 1998. Other income consists primarily of rental income, net of related expenses, from leasing the building adjacent to the Company's corporate headquarters.

The Company's effective tax rate for 1999 was 29% compared to 26% for 1998. The increase in the effective tax rate was due primarily to the higher operating income in 1999 and the diminishing effect of tax-free investments.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash requirements during the year ended December 31, 2000 were met through cash generated from operations. Cash and investments increased $57,219,000 from December 31, 1999 as a result of cash generated from operations and the proceeds from the issuance of common stock under stock option and stock purchase plans, partially offset by cash paid for business and technology acquisitions and capital expenditures. Cash generated from operations consists of net income, adjusted for non-cash charges and changes in current assets and current liabilities, most notably an increase in accounts receivable and inventories associated with the growth in revenue in

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

2000. Capital expenditures for the year ended December 31, 2000 totaled $7,755,000 and consisted primarily of expenditures for computer hardware and software.

On March 31, 2000, the Company acquired selected assets of the machine vision business of Komatsu Ltd. for $11,200,000 in cash, with the potential for additional cash payments in 2002 of up to $8,000,000 depending upon certain performance criteria.

On April 20, 2000, the Company acquired all of the outstanding shares of Image Industries, Ltd. for $2,706,000. The purchase price included $1,754,000 in cash payments, $751,000 of which, at December 31, 2000, remained to be paid through 2002.

On September 30, 2000, the Company acquired selected assets of the web inspection business of Honeywell International Inc. for $8,400,000 in cash. The Company paid an additional $1,600,000 at the closing that is contingent upon the achievement of certain performance criteria in 2002. There is the potential for an additional cash payment of up to $1,600,000 in 2002, also depending upon certain performance criteria.

On December 12, 2000, the Company's Board of Directors authorized the repurchase of up to $100,000,000 of the Company's common stock. As of December 31, 2000, the Company had not repurchased any shares under this program.

The Company believes that its existing cash and investments balance, together with cash generated from operations, will be sufficient to meet the Company's planned working capital, investing, and financing activities through 2001, including the Company's stock repurchase program and potential business acquisitions.

NEW PRONOUNCEMENTS

In June 2000, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard (SFAS) No. 138, "Accounting for Certain Derivative Instruments" - An Amendment of SFAS 133 "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 138 will be effective for all fiscal quarters of all fiscal years beginning after June 15, 2000. The Company does not enter into significant derivative financial instruments, and therefore, does not expect SFAS No. 138 to have a material impact on its financial position and results of operations.

During 2000, the Company adopted Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements." SAB No. 101 did not have a material impact on the Company's financial position and results of operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

FORWARD-LOOKING STATEMENTS

Certain statements made in this report, as well as oral statements made by the Company from time to time, which are prefaced with words such as "expects," "anticipates," "believes," "projects," "intends," "plans," and similar words and other statements of similar sense, are forward-looking statements. These statements are based on the Company's current expectations and estimates as to prospective events and circumstances, which may or may not be in the Company's control and as to which there can be no firm assurances given. These forward-looking statements, like any other forward-looking statements, involve risks and uncertainties that could cause actual results to differ materially from those projected or anticipated. Such risks and uncertainties include: (1) the loss of, or a significant curtailment of purchases by, any one or more principal customers; (2) the cyclicality of the semiconductor and electronics industries; (3) the Company's continued ability to achieve significant international revenue; (4) the capital spending trends of manufacturing companies; (5) the inability to protect the Company's proprietary technology and intellectual property; (6) the inability to attract or retain skilled employees;
(7) the technological obsolescence of current products and the inability to develop new products; (8) the inability to respond to competitive technology and pricing pressures; and (9) the reliance upon certain sole source suppliers to manufacture or deliver critical components of the Company's products. The foregoing list should not be construed as exhaustive and the Company disclaims any obligation subsequently to revise forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. Further discussions of risk factors are also available in the Company's registration statements and other filings with the Securities and Exchange Commission. The Company wishes to caution readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made.

COGNEX CORPORATION -
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31, 2000	1999	1998
(In thousands, except per share amounts)			
Revenue	$250,726	$152,125	$121,844
Cost of revenue	63,820	45,221	37,296
Gross profit	186,906	106,904	84,548
Research, development, and engineering expenses	33,341	27,536	24,535
Selling, general, and administrative expenses	61,915	43,523	37,973
Amortization of goodwill	1,964	265	127
Charge for acquired in-process technology			2,100
Operating income	89,686	35,580	19,813
Investment income	9,494	6,572	6,756
Other income	1,038	728	733
Income before provision for income taxes	100,218	42,880	27,302
Provision for income taxes	32,070	12,435	7,099
Net income	$ 68,148	$ 30,445	$ 20,203
Net income per common and common equivalent share:			
Basic	$ 1.58	$ .74	$ .49
Diluted	$ 1.49	$ .69	$ .47
Weighted-average common and common equivalent shares outstanding:			
Basic	43,043	40,932	40,978
Diluted	45,698	43,986	43,203

The accompanying notes are an integral part of these consolidated financial statements.

COGNEX CORPORATION -
CONSOLIDATED BALANCE SHEETS

	December 31, 2000	1999
(Dollars in thousands)		
ASSETS		
Current assets:		
Cash and cash equivalents	$ 42,925	$ 48,665
Short-term investments	85,429	62,890
Accounts receivable, less reserves of $2,150 and $2,836 in 2000 and 1999, respectively	47,031	28,742
Inventories	27,664	10,872
Deferred income taxes	7,741	6,445
Prepaid expenses and other current assets	8,950	6,149
Total current assets	219,740	163,763
Long-term investments	149,386	108,966
Property, plant, and equipment, net	34,012	31,857
Deferred income taxes	6,903	6,688
Other assets	26,100	3,548
	$436,141	$314,822

The accompanying notes are an integral part of these consolidated financial statements.

COGNEX CORPORATION -
CONSOLIDATED BALANCE SHEETS (CONTINUED)

	December 31, 2000	December 31, 1999
(Dollars in thousands)		
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 10,127	$ 4,237
Accrued expenses	22,953	18,536
Accrued income taxes	9,202	7,470
Customer deposits	3,074	2,714
Deferred revenue	6,471	4,508
Total current liabilities	51,827	37,465
Other liabilities	365	733
Stockholders' equity:		
Common stock, $.002 par value - Authorized: 140,000,000 shares, issued: 45,787,568 and 44,220,434 shares in 2000 and 1999, respectively	92	88
Additional paid-in capital	163,815	122,522
Treasury stock, at cost, 2,365,332 and 2,381,032 shares in 2000 and 1999, respectively	(42,675)	(43,550)
Retained earnings	265,164	197,016
Accumulated other comprehensive income (loss)	(2,447)	548
Total stockholders' equity	383,949	276,624
	$ 436,141	$ 314,822

The accompanying notes are an integral part of these consolidated financial statements.

COGNEX CORPORATION -
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-in
(Dollars in thousands)	Shares	Par Value	Capital
Balance at December 31, 1997	41,859,395	$ 84	$ 91,082
Issuance of common stock under stock option, stock purchase, and bonus plans	594,585	1	4,385
Tax benefit from exercise of stock options			2,064
Common stock received for payment of stock option exercises			
Repurchase of common stock			
Comprehensive income:			
Net income			
Foreign currency translation adjustment			
Comprehensive income			
Balance at December 31, 1998	42,453,980	85	97,531
Issuance of common stock under stock option, stock purchase, and bonus plans	1,766,454	3	16,125
Tax benefit from exercise of stock options			8,866
Common stock received for payment of stock option exercises			
Comprehensive income:			
Net income			
Unrealized gain on investments, net of tax of $279			
Foreign currency translation adjustment			
Comprehensive income			
Balance at December 31, 1999	44,220,434	88	122,522
Issuance of common stock under stock option and stock purchase plans	1,567,134	4	17,993
Tax benefit from exercise of stock options			23,300
Common stock received for payment of stock option exercises			
Acquisition of Image Industries, Ltd.			
Comprehensive income:			
Net income			
Unrealized loss on investments, net of tax of $978			
Foreign currency translation adjustment, net of tax of $53			
Comprehensive income			
Balance at December 31, 2000	45,787,568	$ 92	$ 163,815

The accompanying notes are an integral part of these consolidated financial statements.

Treasury Stock Shares	Treasury Stock Cost	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Comprehensive Income	Total Stockholders' Equity
103,139	$ (1,436)	$ 146,368	$ 44		$ 236,142
					4,386
					2,064
2,001	(50)				(50)
2,202,000	(39,867)				(39,867)
		20,203		$ 20,203	20,203
			(3)	(3)	(3)
				20,200	
2,307,140	(41,353)	166,571	41		222,875
					16,128
					8,866
73,892	(2,197)				(2,197)
		30,445		30,445	30,445
			471	471	471
			36	36	36
				30,952	
2,381,032	(43,550)	197,016	548		276,624
					17,997
					23,300
1,919	(77)				(77)
(17,619)	952				952
		68,148		68,148	68,148
			(1,664)	(1,664)	(1,664)
			(1,331)	(1,331)	(1,331)
				$ 65,153	
2,365,332	$ (42,675)	$ 265,164	$ (2,447)		$ 383,949

COGNEX CORPORATION -
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2000	1999	1998
(In thousands)			
Cash flows from operating activities:			
Net income	$ 68,148	$ 30,445	$ 20,203
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of property, plant, and equipment	6,991	6,360	6,393
Amortization of intangible assets	2,883	1,179	796
Amortization of investments	2,119	1,752	1,525
Tax benefit from exercise of stock options	23,300	8,866	2,064
Charge for acquired in-process technology			2,100
Deferred income tax provision	(533)	(6,960)	(1,343)
Changes in current assets and current liabilities:			
Accounts receivable	(18,811)	(6,997)	5,052
Inventories	(17,902)	(419)	(3,627)
Accounts payable	5,850	1,723	(902)
Accrued expenses	3,416	7,394	(1,454)
Accrued income taxes	1,623	5,117	(687)
Other current assets and current liabilities	(305)	6,303	(271)
Other operating activities	(355)	623	(179)
Net cash provided by operating activities	76,424	55,386	29,670

The accompanying notes are an integral part of these consolidated financial statements.

(In thousands)	Year Ended December 31, 2000	1999	1998
Cash flows from investing activities:			
Purchase of investments	(134,838)	(97,773)	(81,616)
Maturity of investments	67,119	55,566	89,256
Purchase of property, plant, and equipment	(7,755)	(3,443)	(7,239)
Long-term deposit	(1,700)		
Cash paid for business and technology acquisitions, net of cash acquired	(22,240)	(1,723)	(3,954)
Net cash used in investing activities	(99,414)	(47,373)	(3,553)
Cash flows from financing activities:			
Issuance of common stock under stock option, stock purchase, and bonus plans	17,920	13,931	4,336
Repurchase of common stock			(39,867)
Net cash provided by (used in) financing activities	17,920	13,931	(35,531)
Effect of exchange rate changes on cash	(670)	(1,086)	(977)
Net increase (decrease) in cash and cash equivalents	(5,740)	20,858	(10,391)
Cash and cash equivalents at beginning of year	48,665	27,807	38,198
Cash and cash equivalents at end of year	$ 42,925	$ 48,665	$ 27,807

The accompanying notes are an integral part of these consolidated financial statements.

COGNEX CORPORATION -

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements reflect the application of certain accounting policies described below.

NATURE OF OPERATIONS

Cognex Corporation (the Company) designs, develops, manufactures, and markets machine vision systems, or computers that can "see." The Company's products are used to automate a wide range of manufacturing processes where vision is required.

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of Cognex Corporation and its subsidiaries, all of which are wholly-owned. All intercompany accounts and transactions have been eliminated. Certain amounts reported in prior years have been reclassified to be consistent with the current year presentation.

FOREIGN CURRENCY

The financial statements of the Company's foreign subsidiaries, where the local currency is the functional currency, are translated using exchange rates in effect at the end of the year for assets and liabilities and average exchange rates during the year for results of operations. The resulting foreign currency translation adjustment is recorded as other comprehensive income (loss).

CASH, CASH EQUIVALENTS, AND INVESTMENTS

Debt securities purchased with original maturities of three months or less are classified as cash equivalents. Debt securities with original maturities greater than three months and remaining maturities of one year or less are classified as short-term investments. Debt securities with remaining maturities greater than one year, as well as equity securities and an investment in a limited partnership, are classified as long-term investments.

COGNEX CORPORATION -
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Debt securities with original maturities greater than three months are stated at amortized cost, which approximates fair value, and are categorized as available-for-sale. Equity securities are stated at fair value and are also categorized as available-for-sale. Changes in unrealized gains or losses on equity securities, net of tax, are recorded as other comprehensive income (loss). The Company's investment in a limited partnership is accounted for using the cost method because the Company has virtually no influence over the partnership's operating and financial policies.

INVENTORIES

Inventories are stated at the lower of cost or market. Cost is determined using standard costs, which approximate the first in, first out (FIFO) method.

PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment are stated at cost and depreciated using the straight-line method over the assets' estimated useful lives. Buildings' useful lives are 39 years, building improvements' useful lives are 10 years, and the useful lives of computer hardware, computer software, and furniture and fixtures range from two to five years. Leasehold improvements are depreciated over the shorter of the estimated useful lives or the remaining terms of the leases. Maintenance and repairs are expensed when incurred; additions and improvements are capitalized. Upon retirement or disposition, the cost and related accumulated depreciation of the assets disposed of are removed from the accounts, with any resulting gain or loss included in current operations.

INTANGIBLE ASSETS

Intangible assets are stated at cost and amortized using the straight-line method over the assets' estimated useful lives, which range from two to ten years. The Company evaluates the possible impairment of long-lived assets, including intangible assets, whenever events or circumstances indicate the carrying value of the assets may not be recoverable.

WARRANTY OBLIGATIONS

The Company warrants hardware products of its manufacture to be free from defects in material and workmanship for periods ranging from six months to two years from the time of sale based upon the product being purchased and the terms of the customer's contract. Estimated warranty obligations are evaluated and recorded at the time of sale.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION

The Company's revenue is derived primarily from two sources: (1) product sales to both original equipment manufacturer (OEM) customers, who incorporate the Company's product into their product for resale, and end-user customers, and (2) service revenue derived principally from providing maintenance and support, education, consulting, and installation services to OEM and end-user customers.

The Company recognizes revenue from product sales upon shipment if a signed customer purchase order exists, the fee is fixed or determinable, and collection of the resulting receivable is probable. The Company recognizes revenue from maintenance and support programs ratably over the program period. Revenue from education, consulting, and installation services is recognized as the related services are performed. Revenue from construction-type projects is recognized using the percentage-of-completion method. Losses on projects, if any, are recognized when identified.

RESEARCH AND DEVELOPMENT

Research and development costs for internally-developed products are expensed when incurred until technological feasibility has been established for the product. Thereafter, all software costs are capitalized until the product is available for general release to customers. The cost of acquired software is capitalized for products determined to have reached technological feasibility; otherwise the cost is expensed. Capitalized software costs are amortized using the straight-line method over the economic life of the product, which is typically three to five years.

INCOME TAXES

The Company accounts for income taxes under the liability method. Under this method, a deferred tax asset or liability is determined based on the differences between the financial statement and tax bases of assets and liabilities as measured by the enacted tax rates that will be in effect when these differences reverse. Tax credits are recorded as a reduction in income taxes. Valuation allowances are provided if, based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

NET INCOME PER SHARE

Basic net income per share excludes dilution and is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted net income per share reflects the potential dilution

COGNEX CORPORATION -
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET INCOME PER SHARE (CONTINUED)

that could occur if securities or other contracts to issue common stock were issued, exercised, or converted into common stock. Dilutive common equivalent shares consist of stock options, calculated using the treasury stock method.

COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) is defined as the change in equity of a company during a period from transactions and other events and circumstances, excluding transactions resulting from investments by owners and distributions to owners. Other comprehensive income consists of unrealized gains and losses on investments and foreign currency translation adjustments.

FINANCIAL INSTRUMENTS

FAIR VALUE

The Company's financial instruments consist primarily of cash and cash equivalents, investments, trade receivables, trade payables, and forward exchange contracts. The carrying amounts of cash and cash equivalents, investments, trade receivables, and trade payables approximate fair value due to the short maturity of these instruments. Based on year-end exchange rates, the Company estimates the aggregate contract value of the forward exchange contracts to be representative of the fair values of these instruments.

CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, investments, and trade receivables.

The Company primarily invests in municipal obligations of federal and state government entities. The Company has established guidelines relative to credit ratings, diversification, and maturities that maintain safety and liquidity. The Company has not experienced any significant losses on its cash equivalents and investments.

A significant portion of the Company's sales and receivables are from customers who are either in or who serve the semiconductor and electronics industries. The Company performs ongoing credit evaluations of its customers and maintains allowances for potential credit losses. The Company has not experienced any significant losses related to the collection of its accounts receivable.

COGNEX CORPORATION -
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

OFF-BALANCE SHEET RISK

In certain instances, the Company enters into forward exchange contracts to hedge against foreign currency fluctuations. These contracts are used to reduce the Company's risk associated with exchange rate movements, as the gains or losses on these contracts are intended to offset the exchange rate losses or gains on the underlying exposures. The Company does not engage in foreign currency speculation. The Company had $16,445,000 and $16,138,000 of foreign exchange contracts outstanding at December 31, 2000 and 1999, respectively. The foreign exchange contracts were in Japanese Yen and Euro Dollar in 2000 and in Japanese Yen in 1999.

FOREIGN CURRENCY RISK

The Company enters into transactions denominated in foreign currencies and includes the exchange rate gains or losses arising from such transactions in current operations. The Company recorded net exchange rate gains of $99,000 in 2000, $955,000 in 1999, and $127,000 in 1998.

CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash, cash equivalents, and investments consist of the following:

December 31,	2000	1999
(In thousands)		
Cash	$ 19,204	$ 19,545
Municipal obligations	23,721	29,120
Total cash and cash equivalents	42,925	48,665
Municipal obligations	85,429	62,890
Total short-term investments	85,429	62,890
Municipal obligations	139,440	105,392
Equity securities	5,571	3,574
Investment in limited partnership	4,375	
Total long-term investments	149,386	108,966
	$277,740	$220,521

Equity securities had a cost basis of $7,462,000 and an unrealized loss of $1,891,000 at December 31, 2000, and a cost basis of $2,824,000 and an unrealized gain of $750,000 at December 31, 1999.

COGNEX CORPORATION -
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

On June 30, 2000, Cognex Corporation became a Limited Partner in Venrock Associates III, L.P., a venture capital fund. The Company has invested $4,375,000 in the partnership as of December 31, 2000 and has committed to a total investment of up to $25,000,000 over a ten-year period. A director of the Company is affiliated with Venrock Associates III, L.P.

The Company has not experienced any significant realized gains or losses on the sale of its investments in 2000, 1999, and 1998.

INVENTORIES

Inventories consist of the following:

December 31,	2000	1999
(In thousands)		
Raw materials	$14,263	$ 5,451
Work-in-process	5,789	1,987
Finished goods	7,612	3,434
	$27,664	$10,872

PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consist of the following:

December 31,	2000	1999
(In thousands)		
Land	$ 3,051	$ 3,051
Buildings	17,571	17,571
Building improvements	3,997	3,236
Computer hardware and software	31,061	28,230
Furniture and fixtures	3,354	3,446
Leasehold improvements	2,049	1,638
	61,083	57,172
Less: accumulated depreciation	(27,071)	(25,315)
	$ 34,012	$ 31,857

Buildings include property held for lease with a cost basis of $4,950,000 and accumulated depreciation of $698,000 at December 31, 2000.

COGNEX CORPORATION -
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

OTHER ASSETS

Other assets consist of the following:

December 31,	2000	1999
(In thousands)		
Goodwill	$ 20,317	$ 1,464
Acquired complete technology, workforce, non-compete agreements, and other intangible assets	7,358	4,233
	27,675	5,697
Less: accumulated amortization	(7,037)	(3,930)
	20,638	1,767
Deposits and other	5,462	1,781
	$ 26,100	$ 3,548

ACCRUED EXPENSES

Accrued expenses consist of the following:

December 31,	2000	1999
(In thousands)		
Bonus	$ 5,964	$ 4,560
Warranty	3,127	3,820
Salaries, commissions, and payroll taxes	3,010	2,737
Professional fees	2,099	1,963
Vacation	2,020	1,753
Other	6,733	3,703
	$ 22,953	$ 18,536

COGNEX CORPORATION -
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

LEASES

The Company conducts certain of its operations in leased facilities. These lease agreements expire at various dates through 2014 and are accounted for as operating leases. Annual rent expense totaled $3,717,000 in 2000, $2,620,000 in 1999, and $2,366,000 in 1998. Future minimum rental payments under these agreements are as follows at December 31, 2000 (in thousands):

Year	Amount
2001	$ 3,944
2002	2,109
2003	1,169
2004	1,118
2005	1,046
Thereafter	676
	$10,062

The Company owns an 83,000 square-foot office building adjacent to its corporate headquarters. The building is currently occupied with tenants who have lease agreements that expire at various dates through 2002. Annual rental income totaled $1,755,000 in 2000, $1,581,000 in 1999, and $1,499,000 in 1998. Rental income and related expenses are included in "Other income" on the Consolidated Statements of Income. Future minimum rental receipts under non-cancelable lease agreements are $1,382,000 in 2001 and $1,199,000 in 2002.

STOCKHOLDERS' EQUITY

PREFERRED STOCK

The Company has 400,000 shares of authorized but unissued $.01 par value preferred stock.

STOCK REPURCHASE PROGRAMS

On December 12, 2000, the Company's Board of Directors authorized the repurchase of up to $100,000,000 of the Company's common stock. As of December 31, 2000, the Company had not repurchased any shares under this program.

On April 21, 1998, the Company's Board of Directors authorized the repurchase of up to $20,000,000 of the Company's common stock. A total of 882,000 shares were repurchased through May 27, 1998 amounting to $19,937,000, which completed the Company's stock repurchases under this program. On June 3, 1998, the Board authorized the repurchase of up to an additional 1,500,000 shares of the Company's common stock. A total of 1,320,000 shares were repurchased through November 6, 1998 amounting to $19,930,000, which completed the Company's stock repurchases under this second program.

COGNEX CORPORATION -
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

STOCKHOLDERS' EQUITY (CONTINUED)

STOCK-BASED COMPENSATION PLANS

The Company has adopted the disclosure requirements of Statement of Financial Accounting Standard (SFAS) No. 123, "Accounting for Stock-Based Compensation." The Company continues to recognize compensation costs using the intrinsic value based method described in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." No compensation costs were recognized in 2000, 1999, and 1998.

Net income and net income per share as reported in these consolidated financial statements and on a pro forma basis, as if the fair value based method described in SFAS No. 123 had been adopted, are as follows:

Year Ended December 31,		2000	1999	1998
(In thousands, except per share amounts)				
Net income	As reported	$ 68,148	$ 30,445	$ 20,203
	Pro forma	58,591	20,203	13,500
Basic net income per share	As reported	1.58	.74	.49
	Pro forma	1.36	.49	.33
Diluted net income per share	As reported	1.49	.69	.47
	Pro forma	1.34	.48	.33

STOCK OPTION PLANS

At December 31, 2000, the Company had 10,907,351 shares approved by the Board of Directors and stockholders for grant under the following stock option plans: the 1992 Director Plan, 352,000; the 1993 Director Plan, 320,000; the 1993 Employee Plan, 8,000,000; the 1998 Director Plan, 250,000; and the 1998 Stock Incentive Plan, 1,985,351.

On April 21, 1998, the stockholders approved the 1998 Stock Incentive Plan, under which the Company may initially grant stock options and stock awards to purchase up to 1,700,000 shares of common stock. Effective January 1, 1999 and each January 1st thereafter during the term of the 1998 Stock Incentive Plan, the number of shares of common stock available for grants of stock options and stock awards shall be increased automatically to an amount equal to 4.5% of the total number of issued shares of common stock, including shares held in treasury, as of the close of business on December 31st of the preceding year.

COGNEX CORPORATION -
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

STOCKHOLDERS' EQUITY (CONTINUED)

STOCK OPTION PLANS (CONTINUED)

On November 27, 2000, 652,280 options were forfeited by employees. The Company has committed to grant those employees the same number of options approximately seven months later at the then fair market value with similar terms and conditions.

On December 15, 1998, the Company granted 1,320,100 stock options at the current fair market value with similar terms and conditions to previously issued but unexercised grants. In exchange for the new grants, employees agreed to forfeit their prior stock options.

Stock options generally vest over four years and generally expire no later than ten years from the date of grant.

The following table summarizes the status of the Company's stock option plans at December 31, 2000, 1999, and 1998, and changes during the years then ended:

	2000		1999		1998	
	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	8,046,840	$ 16.09	8,322,335	$ 11.65	7,764,907	$ 11.85
Granted at fair market value	2,984,890	35.65	2,058,463	28.50	3,587,535	16.63
Granted above fair market value	60,000	59.10				
Exercised	(1,621,649)	10.78	(1,764,353)	9.00	(604,714)	6.50
Forfeited	(1,455,592)	36.58	(569,605)	18.02	(2,425,393)	20.96
Outstanding at end of year	8,014,489	21.04	8,046,840	16.09	8,322,335	11.65
Options exercisable at year-end	1,912,997	13.05	2,091,171	9.47	2,502,865	7.45
Weighted-average grant-date fair value of options granted during the year at fair market value	$ 15.60		$ 14.06		$ 5.65	
Weighted-average grant-date fair value of options granted during the year above fair market value	$ 20.39					

COGNEX CORPORATION -
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

STOCKHOLDERS' EQUITY (CONTINUED)

STOCK OPTION PLANS (CONTINUED)

The following table summarizes information about stock options outstanding at December 31, 2000:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life (in years)	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$ .50 - 7.50	1,498,772	7.2	$ 6.87	761,798	$ 6.52
8.06 - 15.72	1,389,972	6.5	14.80	545,607	14.04
15.88 - 18.13	2,165,244	9.4	17.15	353,894	16.24
18.19 - 30.38	1,470,753	8.9	26.92	217,323	25.09
30.66 - 59.69	1,489,748	11.7	40.98	34,375	33.06
	8,014,489	8.8	21.04	1,912,997	13.05

For the purpose of providing pro forma disclosures, the fair values of stock options granted were estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 2000, 1999, and 1998, respectively: a risk-free interest rate of 6.1%, 5.6%, and 5.1% ; an expected life of 3.1, 4.5, and 4.1 years; an expected volatility of 60%, 54%, and 50%; and no expected dividends.

EMPLOYEE STOCK PURCHASE PLAN

Under the Company's Employee Stock Purchase Plan (ESPP), employees who have completed six months of continuous employment with the Company may purchase common stock semi-annually at the lower of 85% of the fair market value of the stock at the beginning or end of the six-month payment period, through accumulation of payroll deductions. Employees are required to hold common stock purchased under the ESPP for a period of one year from the date of purchase. Common stock reserved for future sales totaled 386,108 shares at December 31, 2000. Shares purchased under the ESPP totaled 22,638 in 2000, 24,118 in 1999, and 30,670 in 1998. The weighted-average fair value of shares purchased under the ESPP was $17.22 in 2000, $17.59 in 1999, and $7.52 in 1998.

For the purpose of providing pro forma disclosures, the fair values of shares purchased were estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions used for purchases in 2000, 1999, and 1998, respectively: a weighted-average risk-free interest rate of 5.9%, 5.3%, and 5.3%; an expected life of six months; an expected volatility of 60%, 54%, and 50%; and no expected dividends.

COGNEX CORPORATION -
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

EMPLOYEE SAVINGS PLAN

Under the Company's Employee Savings Plan, a defined contribution plan, employees who have attained age 21 may contribute 1% to 15% of their salary on a pre-tax basis subject to the annual dollar limitations established by the Internal Revenue Service. The Company contributes fifty cents for each dollar an employee contributes, with a maximum contribution of 3% of an employee's pre-tax salary. Company contributions vest after five years of continuous employment with the Company. Prior to January 1, 2000, company contributions were made at the discretion of management. Company contributions approximated $844,000 in 2000, $490,000 in 1999, and $230,000 in 1998.

INCOME TAXES

The provision for income taxes consists of the following:

Year Ended December 31,	2000	1999	1998
(In thousands)			
Current:			
Federal	$ 29,335	$ 12,838	$ 5,468
State	1,467	2,390	1,617
Foreign	3,793	1,154	1,357
	34,595	16,382	8,442
Deferred:			
Federal	(2,301)	(2,167)	(1,582)
State	1,279	(1,515)	239
Foreign	(1,503)	(265)	
	(2,525)	(3,947)	(1,343)
	$ 32,070	$ 12,435	$ 7,099

A reconciliation of the provision for income taxes to the federal statutory rate is as follows:

Year Ended December 31,	2000	1999	1998
Provision for income taxes at federal statutory rate	35%	35%	35%
State income taxes, net of federal benefit	2	2	1
Foreign Sales Corporation benefit	(4)	(3)	(3)
Tax-exempt investment income	(3)	(5)	(8)
Foreign operations	2		1
Provision for income taxes	32%	29%	26%

COGNEX CORPORATION -
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

INCOME TAXES (CONTINUED)

Deferred income taxes reflect the tax impact of temporary differences between the amount of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws and regulations. The tax effects of the principal items making up deferred income taxes are as follows:

Year Ended December 31,	2000	1999
(In thousands)		
Current deferred tax assets:		
Inventory and revenue-related	$ 4,948	$ 4,830
Bonus, commission, and other compensation	793	271
Other	2,000	1,344
Total net current deferred tax asset	$ 7,741	$ 6,445
Noncurrent deferred tax assets (liabilities):		
Federal and state credit carryforwards	$ 3,262	$ 4,918
Foreign net operating loss carryforwards	648	
Acquired complete technology and other intangible assets	1,783	209
Acquired in-process technology	1,395	1,501
Depreciation	707	337
Unrealized investment gains/losses	(654)	(277)
Other	(238)	
Total net noncurrent deferred tax asset	$ 6,903	$ 6,688

The Company's federal credit carryforwards are approximately $1,697,000 and have an unlimited life. The state credit carryforwards, net of federal tax impact, are approximately $1,565,000, a portion of which will begin to expire in 2010. The foreign net operating loss carryforwards have an unlimited life. Approximately $2,660,000 of the Company's credit carryforwards relate to deductions for stock option exercises and, as a result, will be recorded as a benefit to additional paid-in capital when realized.

COGNEX CORPORATION -
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NET INCOME PER SHARE

Net income per share is calculated as follows:

Year Ended December 31,	2000	1999	1998
(In thousands, except per share amounts)			
Net income	$68,148	$30,445	$20,203
Basic:			
Weighted-average common shares outstanding	43,043	40,932	40,978
Net income per common share	$ 1.58	$ .74	$ .49
Diluted:			
Weighted-average common shares outstanding	43,043	40,932	40,978
Effect of dilutive securities:			
Stock options	2,655	3,054	2,225
Weighted-average common and common equivalent shares outstanding	45,698	43,986	43,203
Net income per common and common equivalent share	$ 1.49	$ .69	$ .47

Stock options to purchase 877,342, 97,672, and 151,550 shares of common stock were outstanding during the years ended December 31, 2000, 1999, and 1998, respectively, but were not included in the calculation of diluted net income per share because the options' exercise prices were greater than the average market price of the Company's common stock during those years. Although these stock options were antidilutive in 2000, 1999, and 1998, they may be dilutive in future years' calculations.

SEGMENT INFORMATION

The Company has one reportable segment that designs, develops, manufactures, and markets machine vision systems. Operating segments are determined based on the way that management organizes its business for making operating decisions and assessing performance.

COGNEX CORPORATION -
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SEGMENT INFORMATION (CONTINUED)

During the years ended December 31, 2000, 1999, and 1998, one customer accounted for $25,805,000, $19,611,000, and $17,083,000, or 10%, 13%, and 14%, respectively, of revenue.

The following table summarizes information about geographic areas (in thousands):

	United States	Japan	Other	Eliminations	Consolidated
Year Ended December 31, 2000					
Revenue:					
Unaffiliated customers	$208,265	$ 42,461			$250,726
Intercompany	13,522			$(13,522)	
Long-lived assets	41,701	2,875	$ 15,537		60,112
Year Ended December 31, 1999					
Revenue:					
Unaffiliated customers	$130,618	$ 21,507			$152,125
Intercompany	10,162			$(10,162)	
Long-lived assets	30,614	2,089	$ 2,702		35,405
Year Ended December 31, 1998					
Revenue:					
Unaffiliated customers	$104,321	$ 17,523			$121,844
Intercompany	5,493			$ (5,493)	
Long-lived assets	33,807	2,035	$ 2,570		38,412

Revenue is presented geographically based on the country in which the sale is recorded. Inventories are transferred to the Company's Japanese subsidiary at previously established transfer prices, resulting in intercompany revenue and receivables for the United States operation.

The Other column represents all long-lived assets in other countries, none of which were significant, and certain deposits that are included in "Other assets" on the Consolidated Balance Sheets.

Deferred tax assets recorded in foreign jurisdictions are not material compared to the Company's consolidated financial position, and therefore, are not presented.

COGNEX CORPORATION -
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

ACQUISITION OF KOMATSU LTD. MACHINE VISION BUSINESS

On March 31, 2000, the Company acquired selected assets of the machine vision business of Komatsu Ltd. for $11,200,000 in cash, with the potential for additional cash payments in 2002 of up to $8,000,000 depending upon certain performance criteria. The purchase price was allocated as follows: $297,000 to tangible equipment, to be depreciated in accordance with the Company's depreciation policy; $400,000 to workforce, to be amortized over two years; $2,462,000 to complete technology, to be amortized over five years; and $8,041,000 to goodwill, also to be amortized over five years. The contingent consideration will be recorded as purchase price when paid and will be allocated to goodwill to be amortized over the remaining period of expected benefit.

The acquisition was accounted for under the purchase method of accounting. Accordingly, the results of operations of the acquired business have been included in the Company's consolidated results of operations since the date of the acquisition. The financial position and results of operations of the acquired business were not material compared to the Company's consolidated financial position and results of operations, and therefore, pro forma results are not presented.

ACQUISITION OF IMAGE INDUSTRIES, LTD.

On April 20, 2000, the Company acquired all of the outstanding shares of Image Industries, Ltd., a privately-held manufacturer of low-cost machine vision systems located in the United Kingdom. The purchase price of $2,706,000 included $876,000 in cash at closing, $878,000 in cash to be paid through 2002, and 17,619 shares of Cognex common stock, issued from treasury, with a fair value of $952,000. At December 31, 2000, $751,000 of the purchase price remained to be paid through 2002. The purchase price was allocated as follows: $671,000 to tangible net assets; $200,000 to workforce, to be amortized over five years; and $1,835,000 to goodwill, also to be amortized over five years.

The acquisition was accounted for under the purchase method of accounting. Accordingly, the results of operations of the acquired company have been included in the Company's consolidated results of operations since the date of the acquisition. The financial position and results of operations of the acquired company were not material compared to the Company's consolidated financial position and results of operations, and therefore, pro forma results are not presented.

**ACQUISITION OF HONEYWELL INTERNATIONAL INC.
WEB INSPECTION BUSINESS**

On September 30, 2000, the Company acquired selected assets of the web inspection business of Honeywell International Inc. ("Honeywell") for $8,400,000 in cash. The Company paid an additional $1,600,000 at the closing that is contingent upon the achievement of certain performance criteria in 2002. There is the potential for an additional payment of up to $1,600,000 in 2002, also depending upon the achievement of certain performance criteria. As part of the agreement, the Company and Honeywell also formed an alliance in which the Company will provide its web inspection systems to Honeywell's customers in the pulp and paper industry worldwide. The purchase price was recorded as goodwill to be amortized over ten years. The contingent consideration will be recorded as additional goodwill in the period that the performance criteria are met and will be amortized over the remaining period of the expected benefit.

The acquisition was accounted for under the purchase method of accounting. Accordingly, the results of operations of the acquired business have been included in the Company's consolidated results of operations since the date of the acquisition. The financial position and results of operations of the acquired business were not material compared to the Company's consolidated financial position and results of operations, and therefore, pro forma results are not presented.

ACQUISITION OF ALLEN-BRADLEY TECHNOLOGY

In July 1998, the Company acquired certain technology of Rockwell Automation's Allen-Bradley machine vision business. The acquired technology related to certain products under development. The technology was valued using a risk-adjusted cash flow model, under which future cash flows were discounted taking into account risks related to existing markets, the technology's life expectancy, future target markets and potential changes thereto, and the competitive outlook for the technology. This analysis resulted in an allocation of $2,100,000 to in-process technology which had not reached technological feasibility and had no alternative future use, and accordingly, was expensed immediately.

SUPPLEMENTAL STATEMENT OF CASH FLOWS DISCLOSURE

Cash paid for income taxes totaled $8,386,000 in 2000, $2,347,000 in 1999, and $10,710,000 in 1998.

Common stock received as payment for stock option exercises totaled $77,000 in 2000, $2,197,000 in 1999, and $50,000 in 1998.

COGNEX CORPORATION -
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUPPLEMENTAL STATEMENT OF CASH FLOWS DISCLOSURE (CONTINUED)

In 2000, the Company issued 17,619 shares of Cognex treasury stock, with a fair value of $952,000, in connection with the acquisition of Image Industries, Ltd.

In 2000, the Company retired certain fully-depreciated property, plant, and equipment totaling $4,664,000.

NEW PRONOUNCEMENTS

In June 2000, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard (SFAS) No. 138, "Accounting for Certain Derivative Instruments" - An Amendment of SFAS 133 "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 138 shall be effective for all fiscal quarters of all fiscal years beginning June 15, 2000. The Company does not enter into significant derivative financial instruments, and therefore, does not expect SFAS No. 138 to have a material impact on its financial position and results of operations.

COGNEX CORPORATION -

REPORT OF INDEPENDENT ACCOUNTANTS

**TO THE BOARD OF DIRECTORS AND STOCKHOLDERS
OF COGNEX CORPORATION:**

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Cognex Corporation and its subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America. 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 of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Boston, Massachusetts
January 22, 2001

COGNEX CORPORATION -
FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

	Year Ended December 31,				
	2000	1999	1998	1997	1996
(In thousands, except per share amounts)					
Income Statement Data:					
Revenue	$250,726	$152,125	$121,844	$155,340	$122,843
Cost of revenue	63,820	45,221	37,296	42,273	38,855
Gross profit	186,906	106,904	84,548	113,067	83,988
Research, development and engineering expenses	33,341	27,536	24,535	22,311	19,294
Selling, general, and administrative expenses	61,915	43,523	37,973	35,810	26,261
Amortization of goodwill	1,964	265	127	170	140
Charge for acquired in-process technology			2,100	3,115	
Operating income	89,686	35,580	19,813	51,661	38,293
Investment and other income	10,532	7,300	7,489	6,665	5,404
Income before provision for income taxes	100,218	42,880	27,302	58,326	43,697
Provision for income taxes	32,070	12,435	7,099	17,790	13,328
Net income	$ 68,148	$ 30,445	$ 20,203	$ 40,536	$ 30,369
Basic net income per share	$ 1.58	$ .74	$ .49	$ .98	$ .75
Diluted net income per share	$ 1.49	$ .69	$ .47	$ .91	$ .69
Basic weighted-average common shares outstanding	43,043	40,932	40,978	41,322	40,594
Diluted weighted-average common shares outstanding	45,698	43,986	43,203	44,702	43,814

	December 31,				
(In thousands)	2000	1999	1998	1997	1996
Balance Sheet Data:					
Working capital	$167,913	$126,298	$101,971	$108,970	$ 97,265
Total assets	436,141	314,822	247,928	261,840	201,253
Long-term debt	--	--	--	--	--
Stockholders' equity	383,949	276,624	222,875	236,142	182,689

COGNEX CORPORATION -
SELECTED QUARTERLY FINANCIAL DATA (Unaudited)

QUARTER ENDED	APRIL 2, 2000	JULY 2, 2000	OCTOBER 1, 2000	DECEMBER 31, 2000
(In thousands, except per share amounts)				
Revenue	$ 54,495	$ 62,187	$ 67,960	$ 66,084
Gross profit	40,577	46,027	50,558	49,744
Operating income	20,626	22,798	25,595	20,667
Net income	15,412	17,358	19,391	15,987
Basic net income per share	.36	.40	.45	.37
Diluted net income per share	.34	.38	.42	.36
Common stock prices:				
High	73.1250	67.5000	56.1875	40.0000
Low	34.6875	46.7500	33.0000	16.1250

QUARTER ENDED	APRIL 2, 1999	JULY 2, 1999	OCTOBER 1, 1999	DECEMBER 31, 1999
(In thousands, except per share amounts)				
Revenue	$ 27,485	$ 35,271	$ 41,046	$ 48,323
Gross profit	18,757	24,329	29,097	34,721
Operating income	2,455	7,024	10,579	15,522
Net income	3,104	6,189	8,966	12,186
Basic net income per share	.08	.15	.22	.29
Diluted net income per share	.07	.14	.20	.27
Common stock prices:				
High	28.3750	33.5000	35.8750	39.0625
Low	19.0000	23.6250	28.5000	26.1250

COGNEX CORPORATION -
COMPANY INFORMATION

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GENERAL COUNSEL
Hutchins, Wheeler & Dittmar - Boston, Massachusetts

INDEPENDENT ACCOUNTANTS
PricewaterhouseCoopers LLP - Boston, Massachusetts

FORM 10-K
A copy of the annual report filed with the Securities and Exchange Commission on Form 10-K is available to stockholders, without charge, upon request to:

Department of Investor Relations
Cognex Corporation
One Vision Drive
Natick, MA 01760

Additional copies of this annual report are also available, without charge, upon request to the above address.

The Company's common stock is traded on The NASDAQ Stock Market, under the symbol CGNX. As of February 12, 2001, there were approximately 15,000 registered and non-registered holders of the Company's common stock.

No dividends on the Company's common stock were paid during 2000 and 1999.

Cognex Corporation 2000 Annual Report

EXHIBIT 21

COGNEX CORPORATION
SUBSIDIARIES OF THE REGISTRANT

At December 31, 2000, the registrant had the following subsidiaries, the financial statements of which are all included in the consolidated financial statements of the registrant:

NAME OF SUBSIDIARY	STATE/COUNTRY OF INCORPORATION	PERCENT OWNERSHIP
Cognex Technology and Investment Corporation	California	100%
Cognex Canada Technology, Inc.	California	100%
Cognex Foreign Sales Corporation	Barbados	100%
Vision Drive, Inc.	Delaware	100%
Cognex K.K.	Japan	100%
Cognex Europe, b.v.	Netherlands	100%
Cognex Europe, Inc.	Delaware	100%
Cognex International, Inc.	Delaware	100%
Cognex Germany, Inc.	Massachusetts	100%
Cognex Singapore, Inc.	Delaware	100%
Cognex Korea, Inc.	Delaware	100%
Cognex Taiwan, Inc.	Delaware	100%
Cognex Canada, Inc.	Delaware	100%
Cognex, Ltd.	Ireland	100%
Cognex Finland Oy	Finland	100%
Cognex UK Ltd.	United Kingdom	100%
Cognex China, Inc.	Delaware	100%

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the registration statements on Form S-8 (File Nos. 33-31657, 33-32815, 33-36263, 33-72634, 33-72636, 33-72638, 33-81150, 33-81152, 333-2151, 333-4621, 333-60807, and 333-44824) of Cognex Corporation of our report dated January 22, 2001 relating to financial statements, which appears in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated January 22, 2001 relating to the financial statement schedule, which appears in this form 10-K

Boston, Massachusetts *\/s/ PricewaterhouseCoopers LLP*

March 26, 2001