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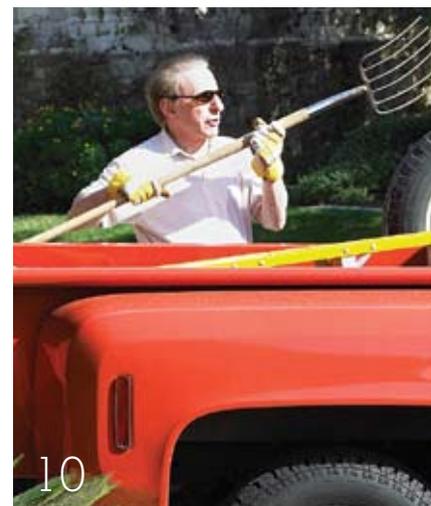
MARCH 2007



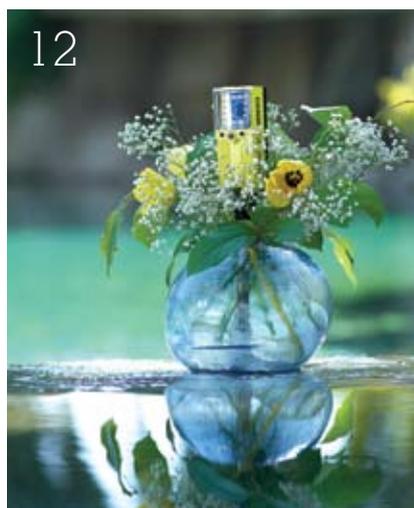
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COVER: Dr. Bob Shillman, Chairman and CEO of Cognex, dishes up a smorgasbord of Cognex vision.

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Mark your calendar with these helpful planning tips



Cognex vision is something you should care deeply about, so don't forget to keep these important dates and tips in mind.

2007	
IMPORTANT DATES	INDOORS
<p>Quarterly Have you received your Cognex dividend check?</p> <p>April 18 Cognex Annual Shareholders Meeting</p> <p>July 31 Halloween is only three months away—time to start planning your costume!</p>	<ul style="list-style-type: none"> Consider a traceability initiative to improve your manufacturing process. Traceability systems using Cognex ID readers enable manufacturers to identify products and components that move along the supply chain, and to access records on the item's origin, and manufacturing and maintenance histories. <p>Cognex's DataMan ID reader has become standard for direct part mark reading in many industries. These self-contained readers perform consistently on all types of marks made on metal, glass, ceramic, plastic, and other surfaces. And, they are rugged, designed to withstand the harshest environments.</p>
GET IN THE HABIT	OUTDOORS
<ul style="list-style-type: none"> October is budget month. Act now to assess your need for vision sensors and include them in next year's budget. This saves the delays that can be caused by seeking special expenditure approvals later. 	<ul style="list-style-type: none"> If you own or operate a trucking fleet, consider equipping your vehicles with Cognex's SafeTRAC Lane Departure Warning (LDW) system. Long hours spent behind the wheel can make commercial truck drivers susceptible to drowsiness and distraction while on the road. SafeTRAC sounds an alarm when a driver has unintentionally crossed into another lane or has drifted off the road, preventing expensive accidents from happening.
HAVE YOU DONE IT LATELY?	
<ul style="list-style-type: none"> It's a good idea to contact your Cognex sales engineer or distributor on a regular basis to see what's new. Our latest products or enhancements could be just what you need to boost your manufacturing quality and productivity! 	

Ask Dr. Bob

How to eliminate defective drinking glasses, clean nuclear fuel rods, stitch artificial heart valves, keep bread fresh, and harmonize color schemes.

SPOTTING DEFECTIVE GLASSES

Q: *I recently bought a set of expensive drinking glasses, but when I got them home I noticed bubbles in the glass. How did this defect slip onto the store shelf?*

A: To ensure perfect quality, it's best to make all the glassware you use at home yourself.

However, you should be aware that molten glass can develop gas bubbles if the temperature in your glass furnace is inconsistent.

I pay extra attention at all times to avoid these unsightly defects. But, on some automated production lines, defects do occasionally occur. In these cases, the trick is to identify and discard defective glassware before it leaves the manufacturing plant on its way to the store.

Many glassware manufacturers use Cognex vision to inspect 100% of their product before it is shipped to ensure that defective items never reach consumers like you.

CLEANING NUCLEAR FUEL RODS

Q: *Any tips for handling a job that is really messy...like cleaning nuclear fuel rods?*

A: It takes an organized homemaker to keep up with the many cleaning tasks that require your daily attention...whether it's deep cleaning your home's air ducts, or bleaching the grout around your shower tiles.

But, some things just can't be allowed to slip, like maintenance of nuclear power plant components. Fuel rods can be-

come corroded with use, or soiled with deposits. Regular inspection, cleaning, and removal of spent rods is a must!

Please read my recent article on "Nuclear Plantkeeping" in the November issue for the full details on this particular chore.

However, one reliable fix to consider is using Cognex machine vision to regularly check the condition of rods and identify any in need of upkeep. Using machine vision and robots keeps your hands clean, and ensures they won't glow in the dark!

HEART VALVE STITCHERY

Q: *I just got a new job, and I need some advice. What is the proper stitch to use when sewing artificial heart valves during surgery?*

A: Not everyone is born with the ability to sew a perfect blanket stitch (like me), so it is not surprising that you would ask this question. And, you have come to the right source!

My upcoming book, "Stitch Craft for Surgeons" will cover the proper stitch for attaching the valves inside the blood vessel during surgery.

However, stitching is also required to assemble the valve itself.

And, because these sensitive devices are susceptible to damage during assembly, manufacturers try to limit handling of the devices as much as possible. That's why today stitching is done primarily by robots, using Cognex machine vision to guide them.

FRESH IDEAS ON STALENESS

Q: *What's the secret to keeping bread fresh?*

A: Daily baking is the best way to ensure fresh bread. Getting up at 4 a.m. to start the dough is a small price to pay. Who needs a full five hours of sleep? It's a waste of time that could be better spent cleaning the lint filter in your clothes dryer or the one in your vacuum.

But, if you'd rather sit back and loaf, you can purchase bread that's certified fresh by Cognex vision.

Commercial bakeries include a "sell by" date imprinted on the package to help consumers determine if their bread is fresh, or past its prime. And, the best bakeries use Cognex vision to make sure this important consumer information is clearly printed and legible on every item that goes out the door.

COLOR BIND

Q: *The interior of my pickup truck clashes with the exterior paint job...I think somebody goofed! Is there anything I can do?*

A: Try to harmonize the two color schemes with some creative accents...a dashboard hula dancer in the appropriate hue could be just the touch you need to pull the whole look together. And next time you purchase a truck, get it from a manufacturer that uses Cognex vision to ensure that all body panels and vehicle interiors are matched to perfection.



what's cooking
at Cognex?

F

or more than 25 years, Cognex has been in the business of helping others achieve perfect quality.

For this reason, we decided to take a page out of Martha Stewart's book for the theme of our 2006 annual report. Even Martha would be impressed by the high quality that manufacturers can achieve using Cognex vision in their factories!

This theme also gives us a great opportunity to show you how many items you use in everyday "living" are made...or made better...with Cognex vision.

I wish I could report that our 2006 performance was as flawless as Martha's *hollandaise sauce*...but 2006 was a frustrating year for Cognex. While we continued to be very profitable, our revenue didn't grow in line with our expectations.

On the top line, we reported revenue of \$238 million, which is only a 10% increase over 2005. And, we reported a profit of \$39.9 million, which is a 12% increase over the prior year. Seems a bit thin? Well...it depends on how you look at it. It turns out that the reported profit includes \$13.6 million in stock option expenses (\$8.9 million after taxes) that were not included in the 2005 results. So, to get to the core of the matter, you have to compare *apples to apples* and exclude those "artificial ingredients" that the Financial Accounting Standards Board (FASB) mandated for 2006. When viewed in that way, our profit in 2006 is \$48.8 million, or a whopping 37% increase over the profit that we reported in 2005.

The bitter with the sweet

Of the three major markets that we serve, only the manufacturers of Semiconductor and Electronics Capital Equipment (Semi) had a good year. Our revenue in this segment grew 27% to \$76 million, due primarily to a cyclical upswing in

demand from those customers that integrate Cognex vision into automation machines that they manufacture, and which are then used to make semiconductor chips and printed circuit boards.

However, in the Surface Inspection and Factory Automation markets, the news was not as bright.

Revenue from our Surface Inspection customers...who buy Cognex vision systems to detect defects in the surfaces of materials made in a continuous process, such as paper, metals and plastic...was \$30 million, down about 12% from the record level we achieved in 2005. The downturn in this market segment was caused by consolidations in the metals industry, which delayed some major purchases, including purchases of our products.

In Factory Automation, we ended the year with *egg on our face*. This segment consists of a very large number of companies who produce everything from *soup to nuts*, and who are always looking for ways to increase the quality of their products and, at the same time, reduce their manufacturing costs. Because of both the enormous market potential and the easy cost-justification for Cognex's products, we expect the Factory Automation market to serve as a steady source of growth for us.

But, in 2006, what we hoped would rise like a *soufflé* turned out to have little more oomph than a *pizza* (non-Chicago style). Factory Automation revenue at Cognex totaled \$132 million in 2006, a yearly increase of roughly 7%...considerably below our annual growth target of 20%.

How the cookie crumbled

We have identified two primary reasons for this disappointing performance. The first was a slowdown in two industries that
Continued on page 6

getting REORGANIZED

In October of 2006 Cognex made several key changes in the sales organization designed to help accelerate the growth of Cognex's Modular Vision Systems Division (MVSD), the largest division at Cognex.

The first move was the appointment of Eric Ceyrolle as Executive Vice President of Worldwide Sales and Marketing for MVSD.



As a longtime Cognoid, Eric has had a lot of successful experience in selling vision and in running a large sales organization. He was hired by Cognex in 1992 to build our sales organization in Europe, and he was so successful there that we later increased his responsibility to include Asia and Japan. Now, he'll be in charge of all of MVSD's sales and marketing efforts worldwide.

Under Eric's leadership, three other Cognoids, each with over 10 years of experience at Cognex, have been appointed to new sales management positions in MVSD: Brian Phillips is now Vice President of Sales for the Americas, Didier Lacroix will serve as Vice President of Sales for Europe, and Ettore Cucchetti has been appointed Vice President of Sales for Asia. All three are seasoned sales executives with extensive knowledge of the factory automation environment and a strong record of sales growth. They entered 2007 hungry, and with a large appetite to grow sales in their respective geographic regions.

hot out of the Oven

Here are just a few of the great new products Cognex cooked up in 2006.



dataman 7500 In 2006, Cognex introduced the DataMan 7500 handheld reader for direct part marks. The DataMan 7500 hit the bullseye in ruggedness, performance and ease of use, and it has already become standard in the automotive and aerospace industries for reading identification marks that are placed directly on parts. And in 2007, Cognex introduced the DataMan 7500V, a handheld device that verifies that marks meet pre-defined quality standards.

vision sensors Last year we introduced several new vision sensors that ensure that Cognex continues to offer the *largest menu* of vision sensors in the market. Whether it's highest performance or lowest cost, Cognex has the product to satisfy every customer's *appetite*. Additions to our menu in 2006 included three new DVT vision sensors...the DVT 515, DVT 535 and DVT 545 systems...that bring a new standard of performance to low-priced vision sensors. Cognex also introduced the In-Sight 5000R, a remote head camera with a very small sensor head (about the size of a C battery) that is

ideal for applications where mounting space is limited or where a *low-calorie*, lightweight camera is required.

surface quality monitoring and line synchronization

In 2006, Cognex introduced two significant additions to our surface inspection *menu* that expand the market for Cognex's SmartView surface inspection system.

Surface Quality Monitoring enables customers to use SmartView not only to detect surface defects, but also to assess general surface features such as texture. Cognex is the only supplier in the market that provides this capability, and in 2006 this new feature enabled us to *eat the lunch* of our largest competitor by winning several significant metals deals.

Line Synchronization enables SmartView systems that are installed at different parts of a paper production line to share information about defects that have been detected on the web of paper as it moves through different phases of production, such as coating, and then cutting.

what's cooking? *(continued)*

are important to our Factory Automation business: the U.S. automotive industry, and the electronics industry. In 2006, an ongoing financial downturn in the U.S. automotive industry put a hold on many automation projects that would normally have incorporated our vision systems. In the electronics industry, demand tends to wax and wane with the semiconductor industry...and that industry began to soften in the second half of the year.

The second reason for our unsatisfactory growth in Factory Automation resulted from issues within our own sales force.

In 2006 we changed the *recipe* for running our U.S. sales organization, and those changes had a very *bitter aftertaste*. You see, in 2005, Cognex acquired DVT Corporation, a competitor that focused on selling low-cost vision sensors through a large, third-party distribution channel. One of the goals of the acquisition was to augment our vision sales by leveraging that channel. We decided, mistakenly, to focus our direct sales team on training and supporting that channel for much of 2006. Unfortunately, that effort distracted our team from calling on their regular high-volume customers...which had been our *bread and butter*.

To address this error, last fall we made some significant changes in our sales force organization. We moved four of our *seasoned* sales executives into new positions of leadership. In addition, we freed our direct sales team from supporting distributors and reverted to our old *recipe* of having them work exclusively on closing strategic accounts (see "Getting Reorganized" on page 5 for more details on these changes).

But, we didn't leave our distributors high and dry; we created a separate team of Cognoids dedicated solely to supporting and motivating our channel partners. We expect these changes to deliver a higher growth rate in Factory Automation. *Continued on page 8*

how to make *Dough*

Finding new opportunities for vision will help Cognex "turn up the heat" on bookings.

Here are some areas where we expect to see results in the near future.



NEW APPLICATIONS

One path to growth is to find new applications in markets that we currently serve where our vision sensors can help companies produce higher quality products, or produce them at a lower price...and, hopefully, both! An example of this is a new product called NotchMax that can quickly and accurately find the alignment notches on semiconductor wafers from a single field of view. We'll be marketing NotchMax to equipment manufacturers in the Semi industry, many of whom are already purchasing other Cognex products. Another path to growth is to find new applications outside of our traditional customer base, such as the production of solar cells, which present new opportunities for machine vision.

NEW MARKETS

Cognex is working with North America's leading manufacturer of automatic doors to bring to market a vision-controlled door activator, called DoorMan. This customer will be integrating DoorMan into their automatic doors for both door activation control and to

address existing safety issues. We expect DoorMan to go into production in the second half of 2007, and to "open many new doors" internationally for our sales team. In addition, our entry into the market for in-vehicle vision, with the acquisition of AssistWare Technology, Inc. in 2006, will help us grow our business a little farther down the road.

NEW PRODUCTS

New products are the *meat and potatoes* of our business. While we have lots of innovations in the pipeline for 2007 which are not quite ready for public disclosure, we can tell you about one new product that is already generating a lot of excitement...and we hope some serious *bread*, too...the new DataMan 100 ID reader.

Up to this point, Cognex has focused its ID business on reading and verifying Direct Part Marks. The new DataMan 100 ID reader moves Cognex into the existing and very large market for scanning and reading codes that are printed on labels as well. DataMan 100 delivers continuously high read rates of both 1D and 2D symbologies, in direct

part mark and label-based identification applications. It can read printed bar codes as well as a laser scanner, and outperforms laser scanners by also reliably reading 2D codes...something that laser-based code readers just cannot do.

And, the DataMan 100 has a price point and form factor (slightly larger than a 9-volt battery) that make it a perfect fit for sales to machine builders...a potential source of high-volume business.

NEW GEOGRAPHIES

Business growth in Asia...and China in particular...represents a key area of opportunity for Cognex. In 2006 we saw a 58% increase in bookings from Asia. Greater China (including both Taiwan and mainland China) saw business increase 83%, with bookings growth recorded in all three of our markets, Factory Automation, Surface Inspection and Semi. In 2007 we are positioning ourselves for more growth by adding 16 new Cognoids to our sales organization in Asia, including two in India.



"Although Cognex disappointed many of its shareholders in 2006 by delivering just an appetizer, the entire staff is focused on improving our menu. We will combine the finest ingredients (hard work and creativity) in order to present you with a heartier meal in 2007."



what's cooking? *(continued)*

Automation in the second half of 2007, but the proof will be in the *tasting*.

Cream rises to the top

Although we didn't end 2006 with the kind of top line growth we would like to have seen, there were, nonetheless, many successes to be proud of during the year.

One of these was the healthy growth in demand for Cognex's ID products. These products are sophisticated vision sensors that can read codes...letters, numbers, bar codes and other symbols...that are printed, stamped or etched on the surfaces of parts ranging from semiconductor wafers to aerospace engine components.

In the Semi industry, sales of our Wafer ID products increased 25% to \$23.5 million. The ability of our products to read codes, even though they have been highly degraded due to various chemical and mechanical manufacturing processes, has become a significant competitive advantage for Cognex in the Semi industry.

On the Factory Automation side, our ID business growth was even more impressive; we grew it to \$15.4 million, a 93% year-on-year increase!

Overall, ID represents an area where we expect substantial growth in the coming years. As the market leader in industrial ID, Cognex is well positioned to benefit as the evolution to product traceability takes hold.

Sales of our Checker sensor grew 93% last year to \$5.6 million. This low-cost presence/absence sensor is unlike any other product on the market, and it gets rave reviews from its existing customers. However, like any new *dish*, getting people to try it has taken longer than we had ever expected. Though still small in terms of revenue generation, Checker is starting to gain the trac-

tion we all believed was there when we launched it in 2004, and we expect that momentum to grow as word spreads and as more customers understand the benefits that Checker delivers.

Like two peas in a pod

In 2006 Cognex acquired AssistWare Technology, Inc., a privately held manufacturer of lane departure warning (LDW) systems. These highly-specialized sensors are installed in ordinary vehicles...ranging from long-haul trucks to passenger cars...where they automatically provide assistance to the driver by analyzing the vehicle's external environment and sounding an alarm if the vehicle unintentionally leaves its lane or heads off the road

Although it will take several years for in-vehicle vision to become a significant revenue generating business for Cognex, we believe this is a market that will have tremendous long-term commercial value. Our initial focus will be to serve the heavy truck market, and over time, as we expand the capability and lower the cost, we expect that these sensors will become standard in many passenger cars and generate significant revenue and profits for us.

Pass the gravy

One of Cognex's core values is sharing...and who better to share our success with than our shareholders!

In July of 2006 the Board of Directors increased Cognex's quarterly cash dividend 6%, to \$0.085 per share. The Board of Directors also authorized the repurchase of up to \$100 million of Cognex common stock in open market transactions. This authorization followed a recently-completed \$100 million stock repurchase program that was announced on December 12, 2000. The increase in the cash dividend and the stock repurchase authorization demon-

strate the confidence that the Board of Directors has in Cognex's business and in its prospects for the future.

Bringing home the bacon in 2007

We enter 2007 with one important objective at the top of our list: to resume growing Cognex at levels that our shareholders have come to expect.

In Surface Inspection, growth will be driven by three factors. First, by increasing penetration of underdeveloped markets, such as the inspection of plastics. In 2006, Cognex sold \$5.5 million of vision systems for surface inspection in the plastics industry, a substantial increase from \$2 million in 2003. Next, the Surface Inspection market will grow by developing new value-added features for our existing SmartView surface inspection system, such as the Surface Quality Monitoring and Line Synchronization products that were introduced in 2006. And, finally, we expect to take share from our competitors who don't meet their customers' needs for leading-edge products.

While the Semi market is expected to be soft in 2007, our strategy remains the same as in the past. Our tried and true *recipe for success* in this market is to continue to satisfy all of our existing OEM customers and to uncover new projects and opportunities at those accounts. In addition, we will work hard to earn the business of new OEMs (we closed 28 new OEM accounts in 2006). Finally, our industry-proven wafer reader, In-Sight 1721, is being widely retrofitted by fabs into their existing production equipment. In addition to the increased revenue generated by sales made directly to these fabs, another growth factor is the positive pull-through that those sales have on the OEMs themselves.

In Factory Automation, our growth strategy is to focus our direct sales force on high volume opportunities at strategic accounts, to support our third party channels with a separate, dedicated team, and to introduce a new product designed specifically to gain market share in Japan and other Asian countries.

In addition to working hard by growing our existing businesses, we will continue to pursue strategic acquisition opportunities that can accelerate our growth in new markets, or deliver a bigger *piece of the pie* in one of our existing markets. And, you can be certain that in 2007 we will not alter our very successful *recipe* for acquisitions, the *main ingredient* of which is a business whose primary focus is machine vision, and which can quickly add to either our technology, our customer base, or our sales and distribution channels.

Overall, we expect slow or no growth in the first half of 2007 as we simultaneously cope with a soft year for Semi and

work to regain our footing in Factory Automation, with higher growth returning in the second half of the year.

Recipe for success

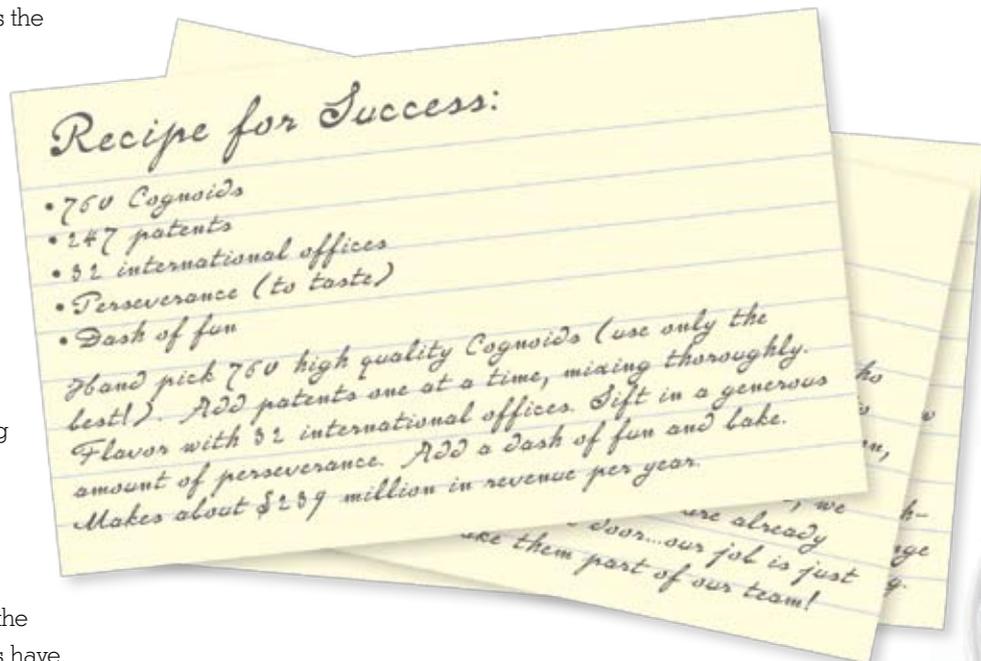
For more than 25 years, Cognex has maintained leadership in the machine vision industry with this simple *recipe*: hire the best of the best, take our work seriously, but don't take ourselves seriously, and persevere...don't stop until you have achieved the objective.

Although Cognex disappointed many of its shareholders in 2006 by delivering just an *appetizer*, the entire staff is focused on improving our *menu*. We will combine the *finest ingredients* (hard work and creativity) in order to present you with a *heartier meal* in 2007.

Sincerely,



Dr. Robert J. Shillman
Executive Chef

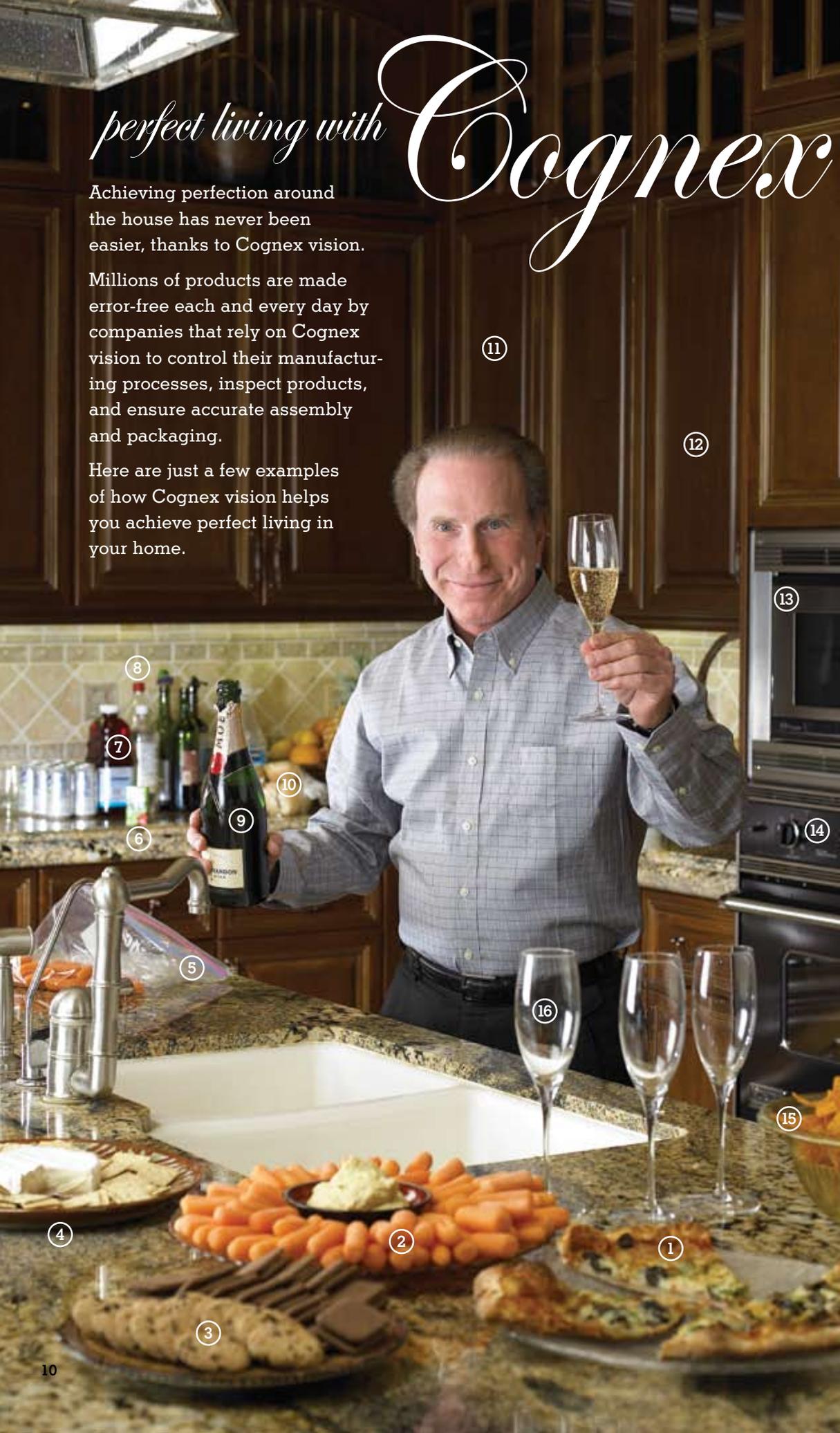


perfect living with Cognex

Achieving perfection around the house has never been easier, thanks to Cognex vision.

Millions of products are made error-free each and every day by companies that rely on Cognex vision to control their manufacturing processes, inspect products, and ensure accurate assembly and packaging.

Here are just a few examples of how Cognex vision helps you achieve perfect living in your home.



in the kitchen

- ① Ensures that pizza crusts are circular,
- ② Inspects baby carrots for blemishes,
- ③ Ensures each cookie has enough chocolate chips, and guides robots assembling cream filled cookies,
- ④ Measures the diameter of cheese,
- ⑤ Inspects the zipper strip in plastic storage bags,
- ⑥ Ensures that the straw is packaged with the juice box,
- ⑦ Verifies that juice and water bottles are properly filled,
- ⑧ Verifies the presence of plastic caps on soda bottles,
- ⑨ Ensures that the cork is properly seated in champagne bottles,
- ⑩ Inspects dinner rolls to make sure they are properly browned,
- ⑪ Gauges the diameter of dinner plates,
- ⑫ Checks for twist tie closures on bags of baked goods, ensures that food is not mislabeled, verifies legibility of print on cereal boxes, ensures the presence of expiration dates on food packaging,
- ⑬ Inspects LED displays on microwave ovens,
- ⑭ Detects surface defects in stainless steel used in kitchen appliances,
- ⑮ Verifies presence of seasoning salt on taco chips,
- ⑯ Inspects glassware for bubbles and chips



in the yard

① Ensures correct assembly of air bags, brake cables, horns, radiators, transmissions, wheels and door handles; inspects gaskets, pistons, springs, headlights, oil filters and dashboard displays; guides assembly of engine blocks and tires; tracks engine parts during manufacturing and assembly; verifies presence of rivets; ensures that the correct tires are installed; checks for surface defects in steel used for body panels; and verifies that body panels are correctly painted; ② Scans the road and ensures that the vehicle doesn't unintentionally leave its lane; ③ Inspects and verifies assembly of heart defibrillators and other implantable medical devices



in the office

① Verifies disk drive assemblies, helps assemble and inspect computer chips and printed circuit boards, ② Aligns speaker cones during assembly, ③ Inspects the plastic used in flat panel monitor screens, ④ Measures the filament inside light bulbs, ⑤ Verifies assembly of printer ink cartridges, ⑥ Verifies the presence of pull tabs on beverage cans, ⑦ Inspects paper used to print magazines, ⑧ Verifies the alphanumeric codes printed on checks, ⑨ Ensures that the correct documents are inserted into mailing envelopes and inspects disposable pens, ⑩ Inspects LCD displays and the quality of printing on cellular telephone keys



in the bath

① Ensures presence of tablets in blister packs, ② Verifies presence and position of labels on shampoo, ③ Checks for presence of safety seals on medicine bottles, ④ Inspects roll-on deodorant balls for burrs and defects, ⑤ Inspects bars of soap, ⑥ Tracks contact lenses through inspection and packaging, detects their presence in blister packs and measures the fill level of saline solution, ⑦ Verifies assembly of dental floss packaging, ⑧ Ensures presence of instruction pamphlets in medicine boxes, ⑨ Inspects mascara wands, ⑩ Verifies presence and position of labels on shampoo

good things



turf's up A lawn trimmed to micron level accuracy tells your guests "I care." How do you achieve this kind of perfection? First, carefully mow your lawn (I recommend a hand mower...it does a better job than a power mower, it's not noisy, and you'll get your exercise for the day!). Then, use a Cognex In-Sight vision sensor to accurately gauge the height of each blade of grass. Finally, use hand sheers to trim those individual blades that In-Sight has determined to be either too tall or flawed. See page 145 for tips on building your own lighting and cables.



air craft Maintaining one's private airplane is a big job even for the most organized homemaker! A Cognex DataMan ID reader simplifies the job by automatically collecting and tracking information about each engine component as you work. Use DataMan to read the 2D code etched directly on the surface of each component as you disassemble the engine for its annual cleaning.



open sesame A real doorman is hard to find these days, but you can get the same great service with the Cognex DoorMan door activator. This little sensor works just as well as a real doorman... and doesn't require a \$5 tip. And, unlike other automatic door openers, it's smart enough to know if the person approaching is coming inside, or is just passing by. Decorate with red wool and brass buttons for an extra touch of class.



say "cheese" If you make your own Camembert, as we do, you know that the difference between success and failure is ensuring a perfectly round shape. Using a Cognex In-Sight vision sensor during the cheese-making process can ensure results that would impress even the pros (after all, it's what they use!). After In-Sight has ensured the shape is within specs, wrap the cheese and use a glue gun to attach your custom label to the top.

décor with a difference Dress up your next dinner party with Cognex Checker! Not only can Checker add affordable inspection power to your manufacturing line, it also makes a smashing centerpiece. Use Checker to add a festive burst of yellow to a vase of feathery lilacs or spray of baby's breath. Or, for a dramatic holiday wreath, attach multiple Checkers to a wooden wreath, sprinkle with glitter, and affix a yellow satin bow. Voila!

**next month
in good things:**

How to make and decorate your own office cubicles.



celebrating 101

Whether for business or pleasure, having fun is as much science as it is art.

At Cognex, we take fun very seriously, and we put a lot of thought into celebrating important milestones and achievements. And, because you are a loyal shareholder, we're happy to share our secrets for successful entertaining with you. Here are just a few of the creative ideas used by Cognex to mark noteworthy occasions:

BOTTOMS UP A champagne toast with our employees is Cognex's tried-and-true way to celebrate a major achievement or milestone. When the toast is done, have each guest inscribe their name in festive gold or silver ink on the bottle. Collect the autographed empties (as Cognex has been doing since 1981) and display them on your wall or mantle to commemorate your achievements! It's a great conversation starter when guests come to visit.

BETTER THAN FLOWERS Whether it's a birthday, graduation or an anniversary, special occasions are usually marked by gift giving. One of our favorite gift traditions at Cognex is the Perseverance Award, given to employees in honor of their 3rd, 5th, 10th, 15th, 20th and 25th anniversaries with the company.

Gifts start at three years with a fashionable watch that has the employee's start date engraved on the back, and rapidly

progress in value. At 20 years, employees get to "share their success" by taking up to seven friends or family members with them on exotic adventures such as a Caribbean yacht charter or a week in a private villa in Italy.

For those Cognoids who have persevered for 25 years there is a very special gift...they become philanthropists. Cognex gives them the opportunity...and the money...to help make the world a better place. For these Cognoids Cognex opens a \$25,000 charitable gift account, from which they can make donations at any time to any IRS-approved charity of their choice.

IT'S A COGGLER! At Cognex, we help employees celebrate the arrival of a new baby...also known as a Cogglar...with a gift of five shares of Cognex stock in the child's name. It probably won't pay for their college education, but it's a good way to start learning about investing, and about Cognex!



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Financial Section
First Page
(Separate File)