

Dear investor:

Welcome to the Fall 2008 issue of the Cognex *Investor Insights* newsletter. In this issue, Rob Willett, President of Cognex's Modular Vision Systems Division (MVSD), shares his impressions on the strengths and challenges facing Cognex, and where our biggest opportunities lie.

Rob joined Cognex in June 2008 to head up the company's largest division, which is responsible for nearly 90% of annual revenue. He oversees product development, sales, marketing, and manufacturing for MVSD as well as Corporate Development.

I hope you find information in this newsletter useful and I look forward to issuing our next edition in early 2009. As always, suggestions for newsletter articles and ways to improve investor communications are appreciated.

Best regards,



Susan M. Conway

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Cognex: An Inside View

MVSD's new President Rob Willett shares his first impressions of Cognex



I'm glad to have this opportunity to address Cognex shareholders, and convey some initial impressions after my first six months with the company.

I am a strong believer in learning by "going where the action is." So the first thing I did after joining Cognex was travel around the world to meet and get to know the people who make our company successful.

Some observations to share

Here are a few of the things that impressed me as I traveled around Cognex:

- **We have a superb engineering team.**

I've managed large, geographically dispersed engineering teams in the past and I'm very impressed with the caliber and commitment of the teams at Cognex.

In addition to our engineering team at our corporate headquarters in Natick, Massachusetts, we have strong teams, each with 20 or more people, based in Portland, Oregon; Aachen, Germany; and Milwaukee, Wisconsin. These teams

are extraordinarily creative, with strong track records of innovation and even stronger futures. We also have a brand new development team in Hungary with some very high caliber young engineers coming on board.

- **We really do have the best products.**

I have learned how to use all of our products and our competitors' products. My experience is that Cognex products really are superior in terms of capability, ease of use, and reliability.

- **We have a powerful long-term growth engine in our Factory Automation business.**

At an annual run rate of approximately \$175 million in 2008, it's very profitable and growing at over 20% this year.

Our In-Sight® vision system is the leader in the Factory Automation vision market. The compact size of the In-Sight Micro, and our EasyBuilder software, give us strong competitive advantages in this market.

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ID Products is perhaps the most exciting growth area in Factory Automation. Revenue in ID has increased by well over 50% year to date. From my experience using our products and the competition's, I can tell you that Cognex's DataMan® ID products outperform all others in their ability to read 2D barcodes in challenging environments and on high-speed production lines.

Tuning in to the sales channel

In addition to learning about Cognex from the inside, I also met with our distributors and integrators in order to better understand our customers, and how Cognex is perceived by those we work with and serve.



Robert Willett
President
Modular Vision Systems Division

Mr. Willett came to Cognex in 2008 from Danaher Corporation, a diversified manufacturer of industrial controls and technologies, where he served as Vice President of Business Development and Innovation for the company's Product Identification business group. Prior to that Mr. Willett was President of Videojet Technologies, a leader in coding and marking products, and a large subsidiary of Danaher. Mr. Willett also served as Chief Executive Officer of Willett International Ltd., a privately-owned coding company with 30 wholly-owned companies around the world, which he sold to Danaher. He has a Bachelor of Arts degree from Brown University, and an MBA from Yale University.



“In North America...our execution is back on track. All of the distributors I visited said they believe our current channel strategy is working well, and praised the quality of the leads generated by Cognex.”

Here's what I learned:

- In North America, where growth stalled due to changes we made to our sales organization after acquiring DVT Corporation, our execution is back on track. All of the distributors I visited said they believe our current channel strategy is working well, and praised the quality of the leads generated by Cognex (“better than any other vendor” according to several of our partners). And, they are very satisfied with our product portfolio, support and delivery.

Overall, they said that their association with the Cognex brand is a badge of technical excellence that is good for their business, and gives them credibility among customers. I also learned that Cognex products are the first or second largest revenue generator for each of these distributors, and in almost every case we are their most profitable product line.

- In Europe our business has been growing consistently for several years, and this year Europe became Cognex's largest sales region. Our success there comes from our very effective use of all three channels to market: partner system integrators, distributors and our own direct sales team. This balanced approach helped Cognex achieve success across all product lines. Progress is also being made to build long-term relationships with world-renowned machine builders, particularly in Southern Germany, Switzerland, and Northern Italy.
- In Asia (excluding Japan), where two years ago we had only a small sales footprint, we now have a substantial presence. Our long-term prospects in Asia are significant. In September, I met with the vice president of operations for a large Chinese manufacturer and growing Cognex customer. He explained to me how rising labor and social costs in China are driving them to massively cut their labor force in favor of increased automation. Cognex machine vision stands to benefit from this widespread trend.



“In Europe our business has been growing consistently for several years, and this year Europe became Cognex's largest sales region.”

- In Japan Cognex faces both exciting opportunities and significant challenges. Semiconductor capital equipment manufacturers (SEMI)—some of our largest customers—are continuing to experience strong pricing pressure, and there is no clear end in sight to the

Mitsubishi's Tier 1 distributors are companies that have the technical know-how and desire to sell machine vision, and can give Cognex far more extensive access to the industrial marketplace. We have some work to do to ensure that this relationship is successful, and I am confident that it will be.

Things to make sure we do right

So I see great opportunities ahead for Cognex...and I also see areas that will benefit from special focus and attention.

Our spending needs to be in-line with our strategic objectives

As I write this we are wrapping up our 2009 budget process. The global economic outlook is bleak and, in light of that, we implemented a number of cost-cutting measures to reduce our spending in anticipation of lower demand next year. We also took a hard look at where our resources were being deployed and made sure our spending was in-line with our long-term growth opportunities.

We went through every budget line and made some significant reductions in planned spending for 2009, such as the elimination of most contractors and open positions as well as decreasing our budget for travel and tradeshow. We redeployed resources into growing markets, such as solar panel manufacturing, and cut back in other areas, such as SEMI. And, we announced the closure of our operations in Georgia and their consolidation into our Massachusetts headquarters.

These actions resulted in the elimination of 60 positions (7% of our worldwide headcount), primarily in the United States. Taking this step was not easy; however, the objective guiding us was to take swift and sufficient action so that Cognex can weather this downturn and remain profitable while continuing to invest in long-term strategic initiatives.



“In Japan...there is good news on the factory floor where our recently announced relationship with Mitsubishi, Japan's largest supplier of factory automation equipment, will help us generate significant additional revenue in coming years.”

We need to sharpen our focus on acquisition selection and product planning

Cognex's financial strength, and current market conditions, create a target-rich environment for both acquisitions and new product development investments. To ensure that we identify and execute on attractive opportunities, and create significant value for our shareholders, I am spending significant time on sharpening both our acquisition and product planning processes at Cognex.

On the acquisition front, we have implemented a new process to rigorously analyze the attractiveness of adjacent markets, and to evaluate specific companies. This will augment Cognex's current track record of successful acquisitions. For example, our In-Sight and ID product families were largely enabled through the acquisitions of Acumen and Gavitec.

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“Rising labor costs in China are driving [manufacturers] to massively cut their labor force in favor of increased automation. Cognex machine vision stands to benefit from this widespread trend.”

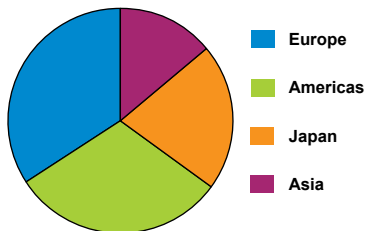
current industry down cycle. However, there is good news on the factory floor where our recently announced relationship with Mitsubishi, Japan's largest supplier of factory automation equipment, will help us generate significant additional revenue in coming years.

The Mitsubishi relationship offers Cognex the opportunity to expand our factory automation business in Japan—the world's largest factory-floor vision market—by giving us access to their large distributor network. Among

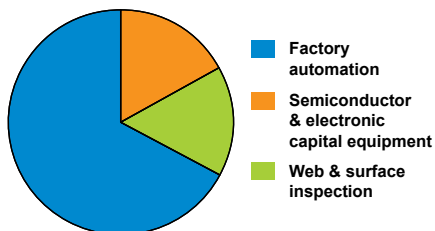
Cognex Revenue: \$63.3 Million

Three months ended September 28, 2008

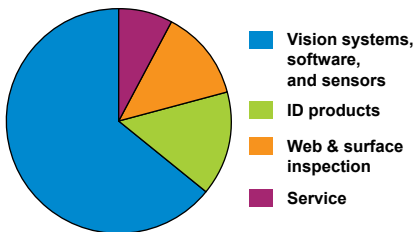
Revenue by geography



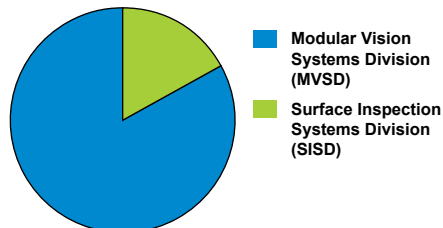
Revenue by market



Revenue by product



Revenue by division



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The rigor that we are applying to studying new markets and acquisition targets is also being brought to our product development work. We are implementing new product planning processes to bring more focus on unmet customer needs and the prioritization of our engineering investments according to their financial return. Marrying a more market-focused and financially driven approach to Cognex's phenomenal record of technological innovation should serve us well in the years to come.

One last observation

I have spoken with many Cognoids (our inside term for Cognex employees) about why they came to Cognex, and what keeps them here. The things they cited are the quality of the people, our market leadership, and the opportunity to work on the most challenging vision problems. They noted how Cognex takes an ethical stand on issues, whether it's fighting patent trolls like the Lemelson Partnership, or refusing to pay excessive signing bonuses during the dot.com bubble years.

These are some of the things that make the Cognex culture very special. And I'm happy to tell you that this culture is alive and well. Our unique culture helps to keep our organization vibrant, cohesive and effective.



These are some of my initial impressions about Cognex... I still have a lot to learn, but what is clear to me is that Cognex is the undisputed leader in a fast-growing market where so many applications are yet unserved. We have an unusually strong organization and culture, more than \$235,000,000 in cash and no debt. We have great products, an awesome reputation, a large list of satisfied customers and a talented and experienced worldwide organization who serves them.

Now that I've gotten to know the business, I'm working with the team to define a few very clear breakthrough priorities for us...high-growth areas for the entire organization to focus on and rally around. I'm ensuring that these areas receive the resources and attention needed to deliver on their potential.

I look forward to the opportunity to meet many of you either here at Cognex or on the road, and to reporting back to you in these pages in the future.

Rob Willett

President

Modular Vision Systems Division

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This newsletter contains "forward-looking statements" within the meaning of the federal securities laws. Please see Cognex's reports filed with the SEC, including its Annual Report on Form 10-K for the year ended December 31, 2007, for a discussion of the risks associated with forward-looking statements.