

KULICKE & SOFFA INDUSTRIES, INC.

Audit Committee Charter

I. PURPOSE

The purpose of the Audit Committee of Kulicke & Sofa Industries, Inc. (the “Company”) is to assist the Board of Directors of the Company (the “Board”) in fulfilling its oversight responsibilities to the Company and its shareholders relating to the integrity, quality and transparency of the Company’s financial statements, the Company’s auditing and financial reporting processes, the independence, qualifications and performance of the independent auditors and the Company’s system of internal controls.

The Audit Committee shall report its activities to the full Board regularly, covering the Committee’s activities, major issues discussed, and recommendations for Board action. The Committee shall also issue annually a summary report to be included in the Company’s proxy statement that discloses that the Audit Committee has:

- reviewed and discussed the Company’s audited financial statements with management and the independent auditors;
- discussed matters outlined in Auditing Standard No. 1301, Communications with Audit Committees; and
- discussed with the independent auditors their independence relative to the Company and received their annual disclosure in the form of a written affirmation.

This report shall also disclose whether the Audit Committee recommends to the Board that the audited financial statements be included in the Company’s Annual Report on Form 10-K. Also, the Audit Committee Charter, including amendments, shall be disclosed as an appendix to the Company’s proxy statement, as required by applicable laws and regulations.

II. COMPOSITION

The Audit Committee shall consist of not less than three members of the Board, appointed annually by the Board. All of the members of the Audit Committee shall meet the independence requirements applicable to audit committees, as required under the listing standards of Nasdaq and by the Sarbanes-Oxley Act of 2002 and the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and the rules and regulations promulgated thereunder. No members of the Audit Committee shall have participated in the preparation of the Company’s or any of its subsidiaries’ financial statements at any time during the past three years. All members must meet the financial literacy requirements required under Nasdaq listing standards, and at least one member shall have financial experience and expertise as required under the Nasdaq listing standards and qualify as an “audit committee financial expert” under the rules and regulations of the SEC. The Chair of the Audit Committee shall be appointed by an independent nominating committee or independent directors.

The members of the Audit Committee may not receive any compensation from the Company except the fees (including equity compensation) that they receive for service as a member of the Board or any committee thereof.

The Audit Committee may form, and delegate its authority to, the Chair of the Audit Committee and subcommittees, as it deems appropriate and as is in compliance with the requirements under Nasdaq listing standards.

III. MEETINGS

The Audit Committee shall meet at least quarterly, and may meet more frequently as circumstances dictate.

The Audit Committee shall be briefed from time to time by the Company's management, compliance managers, information technology leaders and the independent auditors on key topics, such as business and financial risks, exposures and practices and policies, complex transactions and operational issues, and legal and regulatory issues. All members shall have access to the Company's management and specific information.

Each regularly scheduled meeting will include an executive session of the Audit Committee absent members of management.

IV. RESPONSIBILITIES AND DUTIES

While the Audit Committee believes its policies and procedures should remain flexible in order to best react to a changing environment, the Audit Committee, to fulfill its responsibilities and duties, shall:

Relationship with Independent Auditors

- Be directly responsible for the appointment, retention, termination, compensation and oversight of the independent auditors. The independent auditors shall report directly to the Audit Committee.
- Pre-approve all audit and permissible non-audit services provided by the Company's independent auditors and have the sole authority to approve all such audit and non-audit engagement fees and terms.
- Review annually all non-audit services performed by the independent auditor.
- Review with the independent auditors, the scope, fees and nature of the audit process.
- Obtain a formal written statement from the independent auditors delineating all relationships between the independent auditors and the Company, consistent with Independence Standards Board Standard No. 1, and actively engage in a dialogue with the independent auditors with respect to any disclosed relationships or services that the Audit Committee believes may impact the objectivity and independence of the independent auditors and, if necessary, take appropriate action to ensure their independence.
- Provide for direct and open communication between the Audit Committee and the independent auditors and clearly communicate the Audit Committee's expectations of the independent auditors, at least on an annual basis, including the expected nature, style and timing of communications with the Audit Committee and any requests for expanded involvement in regulatory and other issues. The Audit Committee shall provide immediate access through the Audit Committee Chairman for the independent auditors to report any special matters they believe should be brought to the attention of the Audit Committee.
- Obtain from the independent auditors the inspection report of the Public Company Accounting Oversight Board.
- Hold individual private sessions with the independent auditors at least quarterly.
- Set clear hiring policies for current or former employees of the independent auditors.

Relationship with Internal Auditor

- Be directly responsible for the appointment, retention, termination, compensation and oversight of the Director of Internal Audit. The Director of Internal Audit shall report directly to the Audit Committee.
- Review annually the internal audit budget and audit plan.
- Review enterprise risk assessments performed by or for the Director of Internal Audit.

- Review, with the Director of Internal Audit, any significant difficulties, disagreements with management, or scope restrictions encountered in the course of the internal audit.
- Hold regular private meetings with the director of internal audit to allow frank discussion of issues and concerns.

Financial Statements

- Review and discuss with management and the independent auditors before filing with the SEC, the annual audited financial statements and the quarterly financial statements, all related footnotes and disclosures in “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”
- Review and discuss with management earnings press releases prior to their release.
- Discuss with the independent auditors the financial statements and audit findings, including estimates, significant new accounting policies and disagreements with management and any other matters required to be discussed by Auditing Standard No. 1301.
- Review with management and the independent auditors:
 - any major issues as to the adequacy or quality of the system of internal controls;
 - any audit problems or difficulties encountered during the course of the audit, including any restrictions on the scope of the independent auditors’ work or access to required information, and management’s response, if any;
 - any written communications between the independent auditors and management, such as management letters or schedules of unadjusted differences and management’s responses to such letters or schedules; and
 - any significant disagreements between management and the independent auditors, which, with respect to financial reporting, the Audit Committee shall resolve.
- Review with management and the independent auditors an analysis of significant accounting and reporting issues, including critical accounting policies, and changes, estimates and judgments made in connection with the preparation of the Company’s financial statements, including an analysis of the effect of alternative treatments of financial information within generally accepted accounting principles (“GAAP”) that have been discussed with management and the treatment preferred by the independent auditors.
- Obtain and review with the independent auditors all reports relating to such subjects that the independent auditors must deliver to the Audit Committee pursuant to the Exchange Act.
- Review with the Chief Executive Officer and Chief Financial Officer prior to the filing of each periodic report the contents of the certifications required under Sections 302 and 906 of the Sarbanes-Oxley Act and management’s disclosure to the Audit Committee under Section 404 of that Act regarding internal controls.

Finance

- Review and evaluate the Company’s short and long-term cash flows; attendant financial strategies, which may include short and long-term borrowings, preferred and common stock offerings, redemption of securities outstanding; and the corresponding key financial ratios.
- Review and evaluate the Company’s leasing and guarantee policies.

- Review and evaluate the Company's property, casualty and workers compensation insurance programs, political risk, and other exposures to risk.
- Review and evaluate reports from the Company's Strategic Risk Council. The Strategic Risk Council is composed of senior staff who will conduct periodic enterprise risk assessments by monitoring key risks to the business, identifying emerging risks to the business, and assessing corresponding risk mitigation strategies.

Other

- Review periodically with management the program established to monitor compliance with the Company's Codes of Conduct and Ethics.
- Review and approve any related party transactions.
- Review with management legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programs and reports received from regulators.
- Establish procedures for (i) the receipt, retention and treatment of complaints received by the Company, from employees or others, regarding accounting, internal accounting controls or auditing matters; and (ii) ensure that such complaints are treated confidentially and anonymously.
- Have unrestricted access to all relevant information necessary, to carry out its responsibilities, including key operating reports of the Company.
- Have the authority and the resources, as it determines appropriate to carry out its duties, to engage and determine the compensation for independent advisors and counsel.
- Review and reassess the adequacy of the Audit Committee Charter at least annually.
- Conduct an annual self-evaluation of the performance of the Audit Committee in fulfilling its duties and responsibilities under this Charter.
- Perform any other activities consistent with this Charter, the Company's By-laws and governing law, as the Audit Committee or Board may deem appropriate.
- On at least an annual basis, the Committee shall review and discuss the adequacy of this Charter and recommend any proposed changes to the Board.

Outside Advisors

The Audit Committee has the authority, in its sole discretion at the Company's expense, to retain and obtain the advice and assistance of independent outside counsel and such other advisors as it deems necessary to fulfill its duties and responsibilities under this Charter. The Audit Committee shall set the compensation, and oversee the work, of any outside counsel and other advisors.

Limitations

While the Audit Committee has the responsibilities and duties set forth in this Charter, it is not the responsibility or the duty of the Audit Committee to plan or conduct audits, to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with GAAP and applicable rules and regulations, to conduct investigations or to assure compliance with laws and regulations or the Company's internal policies, procedures and controls. These are the responsibilities of management and the independent auditors.