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 (FEE REQUIRED)

For the fiscal year ended SEPTEMBER 30, 1995

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from ________ to ________
Commission file number 0-121

KULICKE AND SOFFA INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

PENNSYLVANIA	23-1498399
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
2101 BLAIR MILL ROAD, WILLOW GROVE, PA	19090
(Address of principal executive offices)	(zip code)

Registrant's telephone number, including area code (215) 784-6000

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

None

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

COMMON STOCK, WITHOUT PAR VALUE
[Title of Class]

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. [ ]

The aggregate market value of the voting shares held by non-affiliates of the Registrant as of December 1, 1995 was approximately $525,391,000. The Company disclaims the existence of control of the Company.

As of December 1, 1995, there were 19,315,450 shares of the Registrant's Common Stock, Without Par Value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the 1996 Annual Shareholders' Meeting to be filed prior to January 12, 1996 are incorporated by reference into Part III, Items 10, 11, 12 and 13 of this Report. Such Proxy Statement, except for the parts therein which have been specifically incorporated by reference, shall not be deemed "filed" for the purposes of this Report on Form 10-K.

PART I

ITEM 1. BUSINESS

Kulicke and Soffa Industries, Inc. (the "Company" or "K&S") was founded in 1951 to design equipment for industrial use. During the 1970s, the Company began to focus its efforts on the semiconductor assembly equipment market. Today, K&S is the world's largest supplier of semiconductor assembly equipment, according to

VLSI Research, Inc. ("VLSI"). Through its American Fine Wire ("AFW") and Micro-Swiss subsidiaries, the Company also supplies expendable tools and materials used in the semiconductor assembly process. The Company's primary assembly equipment products include wire bonders, dicing saws and die, TAB and flip-chip bonders, while its expendable tools and materials offerings include bonding wire, die collets, capillaries and wedges. The Company's customers consist of leading semiconductor manufacturers and subcontract assemblers of semiconductors, including Advanced Micro Devices, Advanced Semiconductor Engineering, Anam Electronics, Hyundai, IBM, Intel, Matsushita Electronics, Motorola, Philips, Samsung, Swire Technologies and Texas Instruments.

INDUSTRY BACKGROUND

The worldwide market for semiconductors has experienced significant growth in recent years. This growth reflects the increasing demand for a wide variety of electronic devices, such as personal computers, cellular telephones, multimedia systems and other electronic devices for business and consumer use, as well as the increasing semiconductor content within these electronic devices and other products, such as automobiles, consumer appliances and factory automation and control systems. This demand has been driven in large part by continuing increases in semiconductor performance as measured by functionality, speed and memory density at declining costs per function.

In response to the growing demand for semiconductor devices, semiconductor manufacturers are increasing capacity by expanding and upgrading existing facilities and constructing new semiconductor fabrication facilities. As new fabrication facilities come on line and existing facilities are expanded and upgraded, the Company anticipates that the semiconductor industry will need to add capacity to assemble the increased output of processed wafers.

SEMICONDUCTOR ASSEMBLY MARKET

The market for semiconductor assembly equipment is expected to continue to be driven by the demand for IC's, as well as the proliferation of different device types and technological advances in IC packages. Different types of devices such as microprocessors, logic devices and memory devices require different assembly and packaging solutions. In addition, current-generation semiconductors are more complex, more densely fabricated and more highly integrated than those of prior generations. To package these newer devices, assembly equipment must be able to handle smaller, more complex packages with higher pin counts. In addition, device manufacturers and assemblers continue to demand equipment with faster throughput, greater reliability, more automated manufacturing support and lower cost of ownership. The market for the expendable tools and materials used in the semiconductor assembly process is similarly driven by IC unit volume, cost and increased technological demands. These demands typically include package size reduction and greater consistency or uniformity of materials.

SEMICONDUCTOR MANUFACTURING PROCESS

The manufacture of semiconductor devices ("semiconductors" or "IC's") requires complex and precise steps which can be broadly grouped into wafer fabrication, assembly and test. Wafer fabrication, the first step in the semiconductor manufacturing process, starts with raw silicon wafers and ends with finished devices in the form of die on wafers. After fabricated wafers are tested, they typically are shipped to assembly facilities located primarily in the Asia/Pacific region.

Semiconductor devices are small and fragile and must be packaged to protect them and facilitate their connection to electronic systems. "Assembly" refers to those process steps required to package semiconductor devices.

The packages are typically based on a stamped metal leadframe, which is subsequently molded with plastic, or on ceramic, depending on the device and the application in which it will be used.

The semiconductor assembly process begins with the mounting of a finished, tested wafer onto a carrier, after which a dicing saw cuts the wafer into individual die. The cut wafer is then moved to a die bonder which picks each good die off the wafer and bonds it to a package. Next, the device is wire bonded. Very fine gold or aluminum wire (typically 0.001 inches in diameter) is bonded between specific locations called bond pads on the die and corresponding leads on the package in order to create the electrical connections necessary for the device to function. After wire bonding, the package is encapsulated. For leadframe-based packages, plastic is molded around the package and the leads are then trimmed and formed. For ceramic packages, encapsulation is accomplished by mounting a lid over the die. After encapsulation, devices are re-tested and are then marked and prepared for shipment.

ACQUISITION OF AFW

On October 2, 1995, after completion of the Company's 1995 fiscal year, the Company acquired AFW (the "AFW Acquisition") through the merger of a subsidiary of the Company into Circle "S" Industries, Inc., the parent corporation of AFW ("Circle S"). AFW is a manufacturer of fine gold and aluminum wire for use in the wire bonding process and has facilities in Selma, Alabama, Singapore and Zurich, Switzerland.

The preliminary purchase price for the AFW Acquisition totaled approximately $53.6 million, subject to possible upward or downward adjustment based upon completion and audit of the closing balance sheet. The Company does not anticipate that any such adjustment to the purchase price will be material. Of the $53.6 million, approximately $34.4 million was paid by delivery of promissory notes to certain former Circle "S" stockholders (the "AFW Notes"), approximately $12.9 million was paid in cash, approximately $4.3 million was placed in escrow against certain types of possible liabilities and $2.0 million was withheld in a closing reserve pending completion and audit of the closing balance sheet, in accordance with terms of the acquisition agreements. The Company financed the cash portion of the purchase price with borrowings under a new bank credit facility with Midlantic Bank N.A. (the "Bank Credit Facility"). Letters of credit securing the AFW Notes also were issued under this facility. The AFW Notes become due and payable on January 5, 1996; bear interest at the rate of 6.4375% per year, less costs (1% per year) of the letters of credit; are not prepayable without the consent of the holders.

The AFW acquisition agreements provide for the indemnification of the Company by certain former stockholders of Circle "S" (including Larry D. Striplin, Jr., formerly the Chairman and largest stockholder of Circle "S") against breaches of or inaccuracies in various representations and warranties and covenants of Circle "S" in the acquisition agreements and against certain types of possible liabilities, including those relating to environmental matters, taxes, possible violations of laws and similar matters. The indemnification obligations of the former Circle "S" stockholders generally (i) only apply to the extent that the aggregate covered claims exceed $375,000, (ii) are subject to an aggregate maximum limit of $4.26 million, and (iii) terminate either 15 months or three years after the date of the AFW Acquisition, although certain indemnification claims are not subject to any minimum and certain other claims (including those relating to environmental matters and taxes) are subject to higher maximum limits and extend for longer periods of time. There can be no assurance that such liabilities will not arise or that, if they do arise, the indemnification provisions of the AFW Acquisition agreements will adequately protect the Company.

In connection with the AFW Acquisition, the Company appointed R. Kelly Payne, the President of AFW, as a Vice President of the Company, and on December 12, 1995, elected Larry D. Striplin, Jr. as a director of the Company. Pursuant to the AFW Acquisition, the Company assumed a 1990 employment and non-competition agreement between Circle "S" and Mr. Striplin providing for payments to him or his estate of $200,000 per year for five years following the date of the AFW Acquisition. Mr. Striplin's employment by Circle "S" and AFW terminated at the time of such acquisition. In connection with the AFW Acquisition, the Company also entered into an employment agreement with R. Kelly Payne.

AFW had sales of approximately $68.8 million and $55.2 million for the year ended December 31, 1994 and the nine months ended September 30, 1995, respectively. Income (loss) from continuing operations totaled $2.6

million and ($130,000), for the periods ended December 31, 1994 and September 30, 1995, respectively. Net income (loss) for the periods ended December 31, 1994 and September 30, 1995 was $2.6 million and ($2.9) million, respectively, which included for the 1995 nine-month period a $2.6 million extraordinary loss from early extinguishment of debt. The consolidated financial statements of Circle "S" for the periods ended December 31, 1994 and June 30, 1995 were filed with the Company's Form 8-K dated September 14, 1995 (as amended by a Form 8-K/A filed October 27, 1995). See also Note 2 to the Company's fiscal 1995 consolidated financial statements included herein.

The Company will account for the AFW Acquisition using the purchase method. The excess of the purchase price, including transaction related costs, over the estimated fair value of the net assets acquired is expected to approximate $42 million, consisting primarily of goodwill, and will be amortized over twenty years.

PRODUCTS

K&S offers a broad range of semiconductor assembly equipment, expendable tools and materials and complementary services and spare parts used in the semiconductor assembly process. Set forth below is a table listing the approximate percentage of the Company's net sales by principal product areas for its fiscal year ended September 30, 1995 and on a pro forma basis for the same period giving effect to the AFW Acquisition.

	Fiscal Year Ended September 30, 1995	
	Actual	Pro Forma
Wire Bonders	74%	60%
Additional Assembly Equipment	9	7
Expendable Tools and Materials	7	25
Services and Spare Parts	10	8
	100%	100%

WIRE BONDERS

The Company's principal product line is its family of wire bonders, which are used to connect extremely fine wires, typically made of gold or aluminum, between the bonding pads on the die and the leads on the package to which the die has been bonded. The Company offers both ball and wedge bonders in automatic and manual configurations. Ball bonders are typically used for plastic packages (i.e., leadframe-based packages) while wedge bonders are typically used for ceramic packages.

The Company's principal wire bonders are its Model 1488 Turbo ball bonder and Model 1474fp wedge bonder. The Company believes that its wire bonders offer competitive advantages based on high throughput and superior process control enabling fine pitch bonding and long, low wire loops, which are needed to assemble advanced IC packages.

The selling prices for the Company's automatic wire bonders range from $60,000 to over $150,000 and from $8,000 to $35,000 for manual wire bonders, in each case depending upon system configuration and purchase volume.

The Company is in the process of developing a new generation of wire bonder, the 8000 family, which will be based on an entirely new platform has required the development of new software and many subassemblies not part of the Company's current wire bonders. The Company experienced delays in the development of the Model 1488 Turbo wire bonder and has experienced delays in the development of the first product in the 8000 family, the Model 8020. The delays in the development of the Model 8020 have been due to a variety of reasons typical in the development of new technological products, including hardware and software related issues and changes in functional specifications based on input from customers. While development and technical risks exist which have the potential to further affect the introduction of the Model 8020, the Company currently expects that the product will be released in the second half of calendar 1996. However, no assurance can be

given that its scheduled introduction in the second half of 1996 will not be delayed, due to technical or other difficulties, or that the Model 8020 will not experience quality or reliability problems after shipment. The Company's inability to complete the development of and introduce the Model 8020 or other new products, or its inability to manufacture and ship these products in volume and on a timely basis, could adversely affect the Company's competitive position. The Company also may incur substantial costs early in a new product's life cycle to ensure the functionality and reliability of such product.

Furthermore, the Company's planned transition to the Model 8020 platform involves numerous risks, including the possibility that customers will defer purchases of Model 1488 Turbo wire bonders in anticipation of the availability of the Model 8020 or that the Model 8020 will fail to meet customer needs or achieve market acceptance. To the extent that the Company fails to forecast demand in volume and configuration for both its current and next-generation wire bonders and generally to manage product transitions successfully, it could experience reduced orders, delays in product shipments, increased risk of inventory obsolescence and delays in collecting accounts receivable. There can be no assurance that the Company will successfully develop and manufacture new products, including the Model 8020, that new products introduced by the Company will be accepted in the marketplace or that the Company will manage its product transitions successfully. The Company's failure to do any of the foregoing could materially adversely affect the Company's business, financial condition and operating results.

ADDITIONAL SEMICONDUCTOR ASSEMBLY EQUIPMENT

In addition to wire bonders, the Company produces other types of semiconductor assembly equipment, including dicing saws, die bonders, TAB bonders and flip-chip bonders, which allows the Company to leverage its significant investment in customer relationships by offering its customers a broad range of assembly equipment. Principal products offered by the Company consist of the following:

Dicing Saws. After precise automatic positioning of the wafer, a dicing saw is used to cut it into individual die using diamond-embedded saw blades. The Company's primary dicing product is its Model 918 fully automated dicing saw. Dicing saws range in price from $60,000 to more than $185,000. On October 1, 1995, the Company entered into a Manufacturing License and Supply Agreement with Tokyo Seimitsu Co. Ltd. for the right to manufacture, use and distribute certain products. In connection with the signing of this agreement, the Company is discontinuing the manufacture of the 918 saw in its Israeli manufacturing facility.

Die Bonders. Die bonders are used to attach a semiconductor die to a leadframe or other package before wire bonding. Through its July 1994 acquisition of Assembly Technologies, the Company added Models 4206 and 5408 Automatic Die Attach machines to its die bonder product line. In addition, in March 1995, the Company shipped its first Model 6900, an automatic multi-process assembly system which can be configured to support either conventional die bonding applications or alternate semiconductor assembly technologies. Die bonders range in price from $60,000 to more than $250,000.

Tape Automated Bonding (TAB). TAB is an alternate assembly method which uses a thin, flexible film of laminated copper and polyamide in place of a conventional package. In a TAB assembled device, the die is bonded directly to copper leads, thereby eliminating the need for wire bonding. The Company's principal TAB bonder is the Model SP2100. TAB bonders range in price from $375,000 to approximately $500,000.

Flip-Chip Assembly Systems. Flip-chip is an alternate assembly technique in which the die is mounted face down in a package or other electronic system using conductive bumps, thereby eliminating the need for either conventional die or wire bonding. The Company's Model 6900 is an automatic multi-process assembly system which can be configured to support flip-chip applications. The Company shipped the first Model 6900, which was configured as a flip-chip bonder, in March 1995. Selling prices for flip-chip assembly systems are expected to exceed $300,000, depending upon configuration.

The Company also offers different configurations of certain of its products for non-semiconductor applications, including the Company's Model 980 saw for use in cutting and grinding hard and brittle materials, such as ceramic, glass and ferrite, for applications such as the fabrication of chip capacitors or disk drive heads. A variant of the Model 2100 TAB bonder is used to assemble ink jet printer cartridges.

EXPENDABLE TOOLS AND MATERIALS

The Company currently offers a range of expendable tools and materials to semiconductor device assemblers which it sells under the brand names "American Fine Wire" and "Micro-Swiss." The Company intends to expand this business in an effort to increase its revenues related to the manufacture of IC's as opposed to the expansion of IC manufacturing capacity. The Company sells its expendable tools and materials for use with competitors' assembly equipment as well as its own equipment. The following constitute the principal expendable tools and materials products offered by the Company:

Bonding Wire. AFW is a manufacturer of very fine (typically 0.001 inches in diameter) gold and aluminum wire used in the wire bonding process. AFW produces wire to a wide range of specifications, which can satisfy most wire bonding applications. Gold bonding wire is generally priced based on a fabrication charge per 1,000 feet of wire, plus the value of the gold. The fabrication charge varies based on a number of factors, such as total volume, wire diameter and wire length per spool, and typically ranges from $7 to $10 per 1,000 feet of wire, depending upon specifications. To minimize AFW's financial exposure to gold price fluctuations, AFW leases gold for fabrication pursuant to a contract with its gold supplier, Rothschild Australia Limited ("RAL"), and only purchases the gold upon shipment and sale of the finished product to the customer. Accordingly, fluctuations in the price of gold are generally absorbed by RAL or passed on to AFW's customers.

Expendable Tools. The Micro-Swiss family of expendable tools includes die collets, capillaries and wedges. Die collets are used to pick up, place and bond die to packages. Capillaries and wedges are used to feed out, attach and cut the wires used in wire bonding. Die collets sell for up to $150, capillaries sell for $6 to $15 and wedges sell for $17 to $45, in each case depending upon specifications.

SERVICES AND SPARE PARTS

The Company believes that its knowledge and experience have positioned it to deliver innovative, customer-specific services that reduce the cost of ownership associated with the Company's equipment. Historically, the Company's offerings in this area were limited to spare parts, customer training and extended warranty contracts. In response to customer trends in outsourcing equipment-related services, the Company now also focuses on providing repair and maintenance services, a variety of equipment upgrades and training capabilities. These services are generally priced on a time and materials basis.

CUSTOMERS

The Company's customers include large semiconductor manufacturers and subcontract assemblers worldwide, among which are the following:

Advanced Micro Devices	Micron Technology, Inc.
Advanced Semiconductor Engineering	Motorola
Anam	Orient Semiconductor Electronics Ltd.
AT&T	Olivetti
Caesar Technology	Pantronix
Fujitsu	Philips Electronics NV
GSS/ARRAY	Samsung Pacific, Inc.
Hyundai Electronics Industries Co., Ltd.	SGS-Thomson Microelectronics
IBM	Silicon Systems
Intel Corporation	Siliconware Precision
Kyocera	Swire Technologies
Matsushita Electronics	Texas Instruments

Sales to a relatively small number of customers account for a significant percentage of the Company's net sales. During fiscal 1995, sales to Intel and Anam accounted for approximately 19.8% and 16.3%, respectively, of the Company's net sales. In fiscal 1994, sales to Anam, Intel and Motorola accounted for 14.2%, 11.5% and 10.8%, respectively, of the Company's net sales.

The Company believes that developing long-term relationships with its customers is critical to its success. By establishing these relationships with semiconductor manufacturers and subcontract assemblers, the Company gains insight to its customers' future IC packaging strategies. This information assists the Company in its efforts to develop process and equipment solutions that address its customers' future assembly requirements. The Company expects that sales of its products to a limited number of customers will continue to account for a high percentage of net sales for the foreseeable future. The loss of or reduction of orders from a significant customer, including losses or reductions due to manufacturing, reliability or other difficulties associated with the Company's products, changes in customer buying patterns, market, economic or competitive conditions in the semiconductor or subcontract assembly industries, could adversely affect the Company's business, financial condition and operating results.

SALES AND CUSTOMER SUPPORT

The Company markets its semiconductor assembly equipment and its expendable tools and materials through separate sales organizations. With respect to semiconductor assembly equipment, the Company's direct sales force, consisting of approximately 60 individuals at September 30, 1995, is principally responsible for sales of major product lines to customers in the United States, Japan and the rest of the Asia/Pacific region. Lower volume product lines, as well as all equipment sales to customers in Europe, are sold through a network of manufacturer's representatives. The Company sells its AFW and Micro-Swiss product lines through an independent sales force supporting customers primarily in the Asia/Pacific region and through manufacturers' representatives supporting customers throughout the rest of the world.

The Company sells its products to semiconductor device manufacturers and contract manufacturers, who are primarily located or have operations in the Asia/Pacific region. Approximately 74% of the Company's fiscal 1994 and 78% of fiscal 1995 net sales were attributable to sales to customers for delivery outside of the United States.

The Company believes that providing comprehensive worldwide sales, service and customer support are important competitive factors in the semiconductor equipment industry. In order to support its U.S. and foreign customers whose semiconductor assembly operations are located in the Asia/Pacific region, the Company maintains a significant presence in the region with sales facilities in Hong Kong, Japan and Singapore, and a technology center in Japan. In addition, the Company supports its assembly equipment customers with over 160 customer service and support personnel at September 30, 1995, located in Hong Kong, Japan, Korea, Malaysia, the Philippines, Singapore, Taiwan, Thailand and the United States. The Company's local presence in these Asia/Pacific countries enables it to provide more timely customer service and support as service representatives and spare parts are positioned near customer facilities, and affords customers the ability to place orders locally and to deal with service and support personnel who speak the same language and are familiar with local country practices.

BACKLOG

At September 30, 1995, the Company's backlog was approximately $84.7 million compared to approximately $46.8 million at September 30, 1994. The Company's backlog consists of product orders for which confirmed purchase orders have been received and which are scheduled for shipment within 12 months. In addition, the Company may allocate production capacity to customers for anticipated purchases for which a confirmed purchase order has not yet been received. Virtually all orders are subject to cancellation, deferral or rescheduling by the customer with limited or no penalties. Because of the possibility of customer changes in delivery schedules or cancellations and potential delays in product shipments, the Company's backlog as of any particular date may not be indicative of revenues for any succeeding period.

MANUFACTURING

The Company's assembly equipment manufacturing activities consist primarily of integrating components and subassemblies to create finished systems configured to customer specifications. The Company utilizes an outsourcing strategy for the manufacture of many of its major subassemblies and performs system design, assembly and testing in-house. K&S believes that outsourcing enables it to minimize its fixed costs and capital

expenditures and allows the Company to focus on product differentiation through system design and quality control. The Company's just-in-time inventory management strategy has reduced manufacturing cycle times and has limited on-hand inventory. The Company recently obtained ISO 9001 registration for most operations in its Willow Grove, Pennsylvania facility and for both of its Israeli manufacturing facilities.

The Company manufactures its Micro-Swiss expendable tools and materials from raw materials at facilities in Israel and its gold and aluminum bonding wire at facilities in Alabama, Singapore and Switzerland. The Company currently is constructing a new facility in Israel for its Micro-Swiss operations and intends to establish a new facility in Singapore for its AFW operations.

Parts, materials and supplies for components used in the Company's products are, for the most part, readily available from a number of sources at acceptable costs. Certain of the Company's products, however, require components or assemblies of an exceptionally high degree of reliability, accuracy and performance. Currently there are a number of such items for which there are only a single or limited number of suppliers which have been accepted by the Company as a qualified supplier. The Company generally does not maintain long-term contracts with its subcontractors and suppliers, and the Company does not believe that the Company's business is substantially dependent on any contract or arrangement with any of its subcontractors or suppliers. However, the Company's reliance on subcontractors and single source suppliers involves a number of significant risks, including the loss of control over the manufacturing process, the potential absence of adequate capacity and the reduced control over delivery schedules, manufacturing yields, quality and costs. Further, certain of the Company's subcontractors and suppliers are relatively small operations and have limited finances and manufacturing resources. In the event that any significant subcontractor or single source supplier were to become unable or unwilling to continue to manufacture or sell subassemblies, components or parts to the Company in required volumes and of acceptable quality, the Company would have to identify and qualify acceptable replacements. The process of qualifying subcontractors and suppliers could be lengthy, and no assurance can be given that any additional sources would be available to the Company on a timely basis.

The Company has experienced and continues to experience reliability and quality problems with certain key subassemblies provided by single source suppliers. The Company also has experienced delays in the delivery of subassemblies from these and other subcontractors in the past, which caused delays in Company shipments. If supplies of such items were not available from any such source and a relationship with an alternative supplier could not be developed, shipments of the Company's products could be interrupted and re-engineering of the affected product could be required. In addition, from time to time, the Company has experienced manufacturing difficulties and problems in its own operation, which have caused delays and have required remedial measures. Such delays, interruption and re-engineering could damage the Company's relationships with its customers and have a material adverse effect on the Company's business, financial condition and operating results.

RESEARCH AND PRODUCT DEVELOPMENT

Because technological change occurs rapidly in the semiconductor industry, the Company devotes substantial resources to its research and development programs to maintain competitiveness. The Company employed more than 290 individuals in research and development at September 30, 1995. The Company pursues the continuous improvement and enhancement of existing products while simultaneously developing next generation products. For example, while the performance of current generations of gold ball wire bonders is being enhanced in accordance with a specific continuous improvement plan, the Company is simultaneously developing the series 8000 family of next generation wire bonders, the first models of which are expected to be introduced in the second half of 1996. Most of the next generation equipment presently being developed by the Company is expected to be based on modular, interchangeable subsystems, including the 8000 control platform, which management believes will promote more efficient and cost-effective manufacturing operations, lower inventory levels, improved field service capabilities and shorter product development cycles, which will allow the Company to introduce new products more quickly.

The Company's net expenditures for research and development totaled approximately $15.9 million, $21.3 million and $30.9 million during the fiscal years ended September 30, 1993, 1994 and 1995, respectively. The Company receives funding from certain customers and government agencies pursuant to contracts or other arrangements for the performance of specified research and development activities. Such amounts are recognized as a reduction of research and development expense when specified activities have been performed.

During the fiscal years ended September 30, 1993, 1994 and 1995, such funding totaled approximately $1.0 million, $2.0 million and $2.8 million, respectively.

COMPETITION

The semiconductor equipment and semiconductor materials industries are intensely competitive. Significant competitive factors in the semiconductor equipment market include process capability and repeatability, quality and flexibility, and cost of ownership, including throughput, reliability and automation, customer support and price. The Company's major equipment competitors include Shinkawa and Kaijo in wire bonders; ESEC, Nichiden, ASM Pacific Technology and Alphasem in die bonders; and Disco Corporation in dicing saws. Competitive factors in the semiconductor expendable tools and materials industry include price, delivery and quality. Significant competitors in the expendable tools line include Gaiser Tool Co. and Small Precision Tools, Inc. In the bonding wire market, significant competitors include Tanaka Electronic Industries and Sumitomo Metal Mining.

In each of the markets it serves, the Company faces competition and the threat of competition from established competitors and potential new entrants, some of which may have greater financial, engineering, manufacturing and marketing resources than the Company. Some of these competitors are Japanese companies that have had and may continue to have an advantage over the Company in supplying products to Japan-based companies due to their preferences to purchase equipment from Japanese suppliers. The Company expects its competitors to continue to improve the performance of their current products and to introduce new products with improved price and performance characteristics. New product introductions by the Company's competitors or by new market entrants could cause a decline in sales or loss of market acceptance of the Company's existing products. If a particular semiconductor manufacturer or subcontract assembler selects a competitor's product for a particular assembly operation, the Company may experience difficulty in selling a product to that company for a significant period of time. Increased competitive pressure could also lead to intensified price-based competition, resulting in lower prices which could adversely affect the Company's business, financial condition and operating results. The Company believes that to remain competitive it must invest significant financial resources in new product development and expand its customer service and support worldwide. There can be no assurance that the Company will be able to compete successfully in the future.

INTELLECTUAL PROPERTY

Where circumstances warrant, the Company seeks to obtain patents on inventions governing new products and processes developed as part of its ongoing research, engineering and manufacturing activities. The Company currently holds a number of United States patents some of which have foreign counterparts. The Company believes that the duration of its patents generally exceeds the life cycles of the technologies disclosed and claimed therein. Although the patents it holds and may obtain in the future may be of value, the Company believes that its success will depend primarily on its engineering, manufacturing, marketing and service skills.

The Company also believes that much of its important technology resides in its proprietary software and trade secrets. Insofar as the Company relies on trade secrets and unpatented knowledge, including software, to maintain its competitive position, there is no assurance that others may not independently develop similar technologies. In addition, although the Company executes non-disclosure and non-competition agreements with certain of its employees, customers, consultants, selected vendors and others, there is no assurance that such secrecy obligations will not be breached.

Certain of the Company's customers have received notices of infringement from two separate parties, Harold S. Hemstreet and Jerome H. Lemelson, alleging that equipment supplied by the Company, and processes performed by such equipment, infringe on patents held by them. The Company's product warranties generally provide customers with indemnification for damages sustained by a customer as a consequence of patent infringement claims arising out of use of the Company's products and obligate the Company to defend such claims. As a consequence, the Company could be required to reimburse its customers for certain damages resulting from these matters and to defend its customers in patent infringement suits. However, the Company generally does not accept responsibility for any compromise or settlement made without its written consent. To the Company's knowledge, no actions have been initiated or threatened directly against the Company in

connection with these matters, although certain customers have requested that the Company defend them and indemnify them against possible claims based on their use of equipment supplied by the Company. A number of the Company's customers have actually been sued, and the Company understands that certain of them have settled such suits but have not sought any contribution from the Company. The Company believes that no equipment marketed by the Company, and no process performed by such equipment, infringe on the patents in question and does not believe that such matters will have a material adverse effect on its financial condition or operating results. However, the ultimate outcome of any infringement claim affecting the Company is uncertain and there can be no assurances that the resolution of these matters will not have a material adverse effect on the Company's business, financial condition or operating results.

EMPLOYEES

At September 30, 1995, K&S had 1,695 permanent employees, 55 temporary employees and 126 contract employees worldwide. In addition, at September 30, 1995, AFW had 295 employees. The only Company employees represented by a labor union are AFW's employees in Singapore. K&S considers its employee relations to be good.

EXECUTIVE OFFICERS OF THE COMPANY

The following table sets forth information regarding the executive officers of the Company.

Name	Age	First Became an Officer (calendar year)	Position
C. Scott Kulicke	46	1976	Chairman of the Board of Directors and Chief Executive Officer
Morton K. Perchick	58	1982	Executive Vice President
Clifford G. Sprague	52	1989	Senior Vice President and Chief Financial Officer
Moshe Jacobi	53	1992	Senior Vice President, Expendable Tools and Materials
Asuri Raghavan	42	1991	Senior Vice President, Marketing
Cary H. Baskin	46	1995	Vice President, Die Bonder Business
Mark H. Heeter	48	1995	Vice President, Human Resources
Shlomo Oren	49	1991	Vice President and Managing Director of Kulicke and Soffa(Israel) Ltd.
R. Kelly Payne	35	1995	Vice President and President of AFW
Charles Salmons	40	1992	Vice President, Operations
Teruhiko Sawachi	52	1991	Vice President and President of Kulicke and Soffa (Japan) Ltd.
Walter Von Seggern	55	1992	Vice President, Engineering and Technology
Michael A. Wolf	51	1995	Vice President, Sales

C. Scott Kulicke has been Chief Executive Officer since 1979 and Chairman of the Board since 1984. Prior to that he held a number of executive positions with the Company. Mr. Kulicke is the son of Frederick W. Kulicke, Jr., a member of the Board of Directors.

Morton K. Perchick joined the Company in 1980 and has served in various executive positions, most recently as Senior Vice President, prior to his being appointed Executive Vice President in July 1995.

Clifford G. Sprague joined the Company in March 1989 as Vice President and Chief Financial Officer and was promoted to Senior Vice President in 1990. Prior to joining the Company, he served for more than five years as Vice President and

Controller of the Oilfield Equipment Group of NL Industries, Inc., an oilfield equipment and service company.

Moshe Jacobi has served as the Company's Senior Vice President, Expendable Tools and Materials since July 1995. Prior to that, he had served as Vice President of the Company and Managing Director of Micro-Swiss

Ltd., a wholly-owned subsidiary of the Company since November 1992. He was Division Director and General Manager of the Micro-Swiss Division from July to November 1992, and, from August 1986 to July 1992, he was Deputy Managing Director of Kulicke and Soffa (Israel) Ltd., a wholly-owned subsidiary of the Company.

Asuri Raghavan was promoted to Senior Vice President, Marketing in July 1995, having served as Vice President of the Wire Bonder Business since December 1993. Prior to that, he served as Vice President, Strategic Development from June 1991 to 1993, and in various other management capacities since joining the Company in 1980, except for the period from December 1985 until November 1987 when he was Director, Research and Technology of American Optical.

Cary H. Baskin joined the Company in 1992 and since February 1995 he has served as Vice President, Die Bonder Business. Prior to such time, Mr. Baskin served as director of corporate marketing and, before that, director of product marketing for the Company's ball bonding and TAB business. Formerly, Mr. Baskin held senior marketing positions with Mars Electronics and Checkpoint Systems.

Mark H. Heeter was appointed Vice President, Human Resources in July 1995. Prior to that, he was Vice President of Human Resources of The Dispatch Printing Company from 1993 to 1994. From 1987 to 1993, Mr. Heeter was Director of Human Resources of Checkers, Simon and Rosner, a public accounting and business services firm.

Shlomo Oren joined the Company in 1980 and has served as a Vice President of the Company since 1991 and has been Managing Director of Kulicke and Soffa (Israel), Ltd. since January 1993. Prior to January 1993, he served as Vice President of Marketing of the Company, Director, Microelectronic Business Division of the Company, and Deputy Managing Director, Marketing, Kulicke and Soffa (Israel).

R. Kelly Payne was elected a Vice President of the Company in October 1995 following the Company's acquisition of Circle "S" and AFW. Prior to joining the Company, he had served since 1989 in various executive capacities with AFW and American Fine Wire, Ltd., its Singapore-based subsidiary. He became President and Chief Executive Officer of AFW in January 1994.

Charles Salmons joined the Company in 1978 and became Vice President, Operations in September 1994. Prior to that, he served as Vice President of Manufacturing, Director of Operations, Director of Production and Manager of Production.

Teruhiko Sawachi joined the Company in December 1991 as Vice President of the Company and President of Kulicke & Soffa (Japan) Ltd. Prior to that, he was Representative Director of Senco Japan Ltd., a division of Senco Products, Inc., from November 1987 to December 1991.

Walter Von Seggern joined the Company in September 1992 as Vice President of Engineering and Technology. From April 1988 to April 1992, he worked for M/A-Com, Inc. He was General Manager of M/A-Com's ANZAC, RGH and Eurotec Divisions from 1990 to 1992 and from 1988 to 1990, he was General Manager of M/A-Com's Radar Products Division.

Michael A. Wolf was appointed Vice President, Sales in February 1995, having served as Director of Sales since 1993. He came to K&S from Proconics International, Inc., Boston, Massachusetts, where he served as vice president of sales and marketing, and has more than 25 years of experience within the semiconductor manufacturing industry in various marketing, sales and sales management positions.

ITEM 2. PROPERTIES

The Company's major facilities are described in the table below:

Facility	Approximate Size	Function	Products Manufactured	Lease Expiration Date

Willow Grove, Pennsylvania	214,000 sq.ft. (1)	Corp. headquarters, manufacturing, technology center, sales and service	Wire bonders, die bonders and TAB bonders	N/A
Haifa, Israel	43,000 sq.ft. (2)	Manufacturing, technology center, assembly systems	Manual wire bonders, dicing saws and automatic multi-process assembly systems	April 2002
Haifa, Israel	26,000 sq.ft. (3)	Manufacturing, Micro-Swiss operations	Capillaries, wedges and die collets	March 1999
Hong Kong	16,000 sq.ft. (2)	Sales and service		September 1996
Tokyo, Japan	10,667 sq.ft. (2)	Technology center, sales and service		November 1997/ July 1996
Singapore	22,942 sq.ft. (2)	Manufacturing, AFW operations	Bonding wire	November 1997
Selma, Alabama	25,629 sq.ft. (2)	Manufacturing, AFW operations	Bonding wire	October 2017
Zurich, Switzerland	15,123 sq.ft. (2)	Manufacturing, AFW operations	Bonding wire	(4)

(1) Owned.
(2) Leased.
(3) Part owned and part leased.
(4) Cancelable semi-annually upon six months' notice.

The Company is planning to expand its Willow Grove, Pennsylvania facilities and is constructing a manufacturing facility in Yokneam, Israel for its Micro-Swiss operations. Construction of this latter facility is expected to be completed in the fall of 1996. Upon completion, the lease of Micro-Swiss' manufacturing facility in Haifa will be terminated. The Company is also planning to relocate AFW's Singapore facilities. In addition, the Company rents space for sales and service offices in Santa Clara, California; Mesa, Arizona; Zug, Switzerland; Korea; Taiwan; and Singapore. The Company believes that its facilities are generally in good condition.

ITEM 3. LEGAL PROCEEDINGS

The Company is not aware of any material pending legal matters involving the Company. See the discussion of certain legal contingencies in Note 12 to the Company's fiscal 1995 consolidated financial statements included herein.

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

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock trades on the Nasdaq National Market under the symbol KLIC. The following table sets forth for the periods indicated the high and low sale prices for the Common Stock as reported on the Nasdaq National Market, which prices have been adjusted to reflect the Company's July 1995 two-for-one stock split.

	High	Low
Fiscal 1994:		
First Quarter	$14 11/16	$ 6 3/16
Second Quarter	8 13/16	5 3/16
Third Quarter	8 1/8	4 11/16
Fourth Quarter	8 11/16	5 5/8
Fiscal 1995:		
First Quarter	$10 31/32	$ 7 1/2
Second Quarter	14 7/8	9 1/8
Third Quarter	33 3/8	13 1/4
Fourth Quarter	45 3/8	32 7/8

On December 1, 1995, there were 731 holders of record of the shares of outstanding Common Stock.

The Company currently does not pay cash dividends on its Common Stock. The Company presently intends to retain any future earnings for use in its business and does not anticipate paying any cash dividends on the Common Stock in the foreseeable future.

The amended Gold Supply Agreement dated October 2, 1995 between AFW and its subsidiaries (collectively, the "AFW Companies") and their gold supplier contains certain financial covenants and prohibits the AFW Companies from paying any dividends or making any distributions without the consent of the supplier if following any such dividend or distribution the net worth of the AFW Companies would be less than $7.0 million.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data presented below should be read in conjunction with the Company's Consolidated Financial Statements and notes thereto, which are included elsewhere herein.

Income Statement Data:	Fiscal Year Ended September 30,				
	1995	1994	1993	1992	1991
	(in thousands, except per share amounts)				
Net sales	$304,509	$173,302	$140,880	$ 94,959	$100,193
Cost of goods sold	167,457	101,334	79,205	54,558	51,496
Gross profit	137,052	71,968	61,675	40,401	48,697
Selling, general and administrative	50,728	36,752	31,463	34,104	34,083
Research and product development, net	30,884	21,286	15,932	13,887	15,138
Restructuring cost	--	--	--	4,450	--
Income (loss) from operations	55,440	13,930	14,280	(12,040)	(524)
Interest expense, net (a)	173	(907)	(1,066)	(1,019)	(1,029)
Other expense (b)	--	--	(1,125)	--	--
Income (loss) before income taxes and extraordinary gain	55,613	13,023	12,089	(13,059)	(1,553)
Provision for income tax expense (benefit)	12,791	2,605	1,258	(718)	(310)
Income (loss) before extraordinary gain	42,822	10,418	10,831	(12,341)	(1,243)
Extraordinary gain, net of tax (a)	--	--	--	218	211
Net income (loss)	$ 42,822	$ 10,418	$ 10,831	$(12,123)	$ (1,032)
Income (loss) per share (c):					
Primary:					
Before extraordinary gain	$ 2.38	$ 0.63	$ 0.66	$ (0.78)	$ (0.08)
Extraordinary gain	--	--	--	0.01	0.01
Net income (loss)	$ 2.38	$ 0.63	$ 0.66	$ (0.77)	$ (0.07)
Fully diluted:					
Before extraordinary gain	$ 2.22	$ 0.63	$ 0.66	$ (0.78)	$ (0.08)
Extraordinary gain	--	--	--	0.01	0.01
Net income (loss)	$ 2.22	$ 0.63	$ 0.66	$ (0.77)	$ (0.07)
Weighted average shares outstanding (c):					
Primary	18,028	16,665	16,342	15,823	15,694
Fully diluted	19,693	16,665	16,342	15,823	15,694

Balance Sheet Data:	September 30,				
	1995	1994	1993	1992	1991
	(in thousands)				
Working capital	$103,833	$ 61,459	$ 58,190	$ 45,937	$ 57,347
Total assets	191,029	121,198	105,278	83,941	92,922
Long-term debt, less current portion	156	26,474	26,708	26,778	27,721
Shareholders' equity	133,647	63,234	51,481	38,988	50,173

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(a) In fiscal 1989, the Company began a program of selectively repurchasing its 8% Convertible Subordinated Debentures at such times as market prices were favorable. The effect of such repurchases has been to reduce interest expense. During fiscal 1995, all of the Company's remaining 8% Convertible Subordinated Debentures were converted into Common Stock or redeemed. See Note 6 to the Company's Consolidated Financial Statements included elsewhere herein.

(b) In fiscal 1993, the Company incurred $1.1 million in costs associated with a failed acquisition.

(c) All share and per share data have been restated to give effect to the July 1995 two-for-one stock split.

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

INTRODUCTION

The Company's operating results depend primarily upon the capital expenditures of semiconductor manufacturers and subcontract assemblers worldwide, which in turn depend on the current and anticipated market demand for semiconductors and products utilizing semiconductors. The semiconductor industry has historically been highly volatile and experienced periodic downturns and slowdowns, which have had a severe negative effect on the semiconductor industry's demand for semiconductor capital equipment, including assembly equipment manufactured and marketed by the Company and, to a lesser extent, expendable tools and materials such as those sold by the Company. In the past, these downturns and slowdowns have also adversely affected the Company's operating results. While the Company does not consider its business to be seasonal in nature, historically there have been substantial fluctuations in the amounts which semiconductor manufacturers and subcontract assemblers have invested in capital equipment. Furthermore, the Company's sales consist primarily of a relatively small number of machines, most with selling prices ranging from approximately $60,000 to over $500,000. A delay in shipment of a limited number of machines, either due to manufacturing delays or to rescheduling or cancelation of customer orders, could have a material adverse effect on results of operations for any particular quarter. The Company believes that such volatility will continue to characterize the industry and the Company's operations in the future.

RESULTS OF OPERATIONS

FISCAL YEARS ENDED SEPTEMBER 30, 1995 AND SEPTEMBER 30, 1994

The Company recorded bookings totaling $342.4 million during the fiscal year ended September 30, 1995 compared to $178.0 million during fiscal 1994. The continued strength in customer orders is primarily attributable to the following factors. First, growing end-user demand for semiconductor devices has resulted in industry-wide expansion both in wafer fabrication capacity and semiconductor assembly capacity. In addition, certain semiconductor manufacturers are replacing older assembly capital equipment with newer, higher throughput machines capable of handling more complex semiconductor devices for a wider variety of applications. Finally, enhanced versions of the Company's gold ball wire bonder (Model 1488 Turbo -introduced in late fiscal 1994) and aluminum wedge bonder (Model 1474fp - introduced in the second quarter of fiscal 1995) offer significant performance advantages compared to the Company's earlier models, including greater throughput, finer pitch capabilities and improved programmability to handle a wider variety of applications. Favorable customer acceptance of these enhanced models contributed to the Company's increased volume of orders during fiscal 1995.

At September 30, 1995, the backlog of customer orders totaled approximately $84.7 million compared to $46.8 million at September 30, 1994. Since the timing of deliveries may vary and orders generally are subject to cancellation, the Company's backlog as of any date may not be indicative of sales for any succeeding period.

Net sales for the fiscal year ended September 30, 1995 increased 76% to $304.5 million compared to $173.3 million during fiscal 1994. Approximately $123.6 million of this increase was due to higher unit volume, primarily of the Company's Model 1488 Turbo gold ball wire bonders and 1474fp aluminum wedge bonders, and, to a lesser extent, to increased sales of consumable tools and spare parts. Higher selling prices for the Model 1488 Turbo ball bonder and Model 1474fp wedge bonder contributed approximately $7.6 million to net sales in fiscal 1995, over the amounts reported in fiscal 1994. In addition, approximately $6.1 million of the volume increase was attributable to sales of products added from the July 1994 acquisition of Assembly Technologies ("AT"). By geographic region, increases in net sales in fiscal 1995 as compared to fiscal 1994 were primarily attributable to customers located in the Asia/Pacific region, and, to a lesser extent, to customers located in the United States. Sales to customers in the Asia/Pacific region and the United States accounted for more than 90% of the Company's net sales in fiscal 1995.

Gross profit as a percentage of net sales increased to 45.0% for fiscal 1995 compared to 41.5% for fiscal 1994. The increase in the gross profit percentage resulted principally from improved manufacturing overhead absorption associated with higher sales volumes, the improved gross profit margin on the gold ball and wedge bonder products largely due to the higher selling prices realized on the new, enhanced models, and to a shift in sales mix toward higher margin wedge bonders. During fiscal 1994, the wedge bonder product line comprised 14% of net revenues; in fiscal 1995, wedge bonder products accounted for 20% of net revenues. Partially offsetting the above factors were additional inventory reserves established for slower moving products during

fiscal 1995.

Selling, general and administrative expenses ("SG&A") totaled $50.7 million during fiscal 1995, compared to $36.8 million during fiscal 1994. This increase was primarily attributable to higher employment levels required to support the higher volume of business, increased sales incentives and commissions resulting from the higher sales levels, increased management incentives associated with improved earnings and higher outside contractor costs associated with ongoing internal management information systems development efforts. Of the total increase in SG&A costs, $1.5 million was related to the incremental costs incurred by the Company to market and support die bonder products added through the July 1994 acquisition of AT.

Net research and development ("R&D") costs increased to $30.9 million for the fiscal year ended September 30, 1995, compared to $21.3 million for the same period last year. Of the $9.6 million increase in fiscal 1995, $2.0 million resulted from incremental expenditures related to development of the Company's next generation of die bonders and enhancements to die bonder products added through the AT acquisition. The remainder consisted primarily of personnel related costs, outside contractor costs and prototype materials related to new product development. Gross R&D expenses were partially offset by funding received from customers and governmental subsidies totaling $2.8 million in fiscal 1995 and $2.0 million in fiscal 1994.

The Company continues to invest heavily in the development of the 8000 Series wire bonders and in enhancements of existing products, including the Model 1488 turbo ball bonder and Model 1474fp wedge bonder to enable them to handle higher lead-count devices with finer pitch requirements at faster bonding speeds than the earlier Models. In addition, the Company continues to invest in new technologies which may eventually lead to improved or alternate semiconductor assembly technologies.

Operating income totaled $55.4 million for fiscal 1995 compared to $13.9 million for the same period in fiscal 1994. This improvement resulted principally from the higher revenue levels and improved gross profit margins, offset in part by the increased SG&A and R&D expenses noted above. The majority of the increase in operating profit was realized in the United States, where the Company maintains its principal manufacturing operations, and in Hong Kong where the Company's Asia/Pacific sales activities are centered.

During fiscal 1995, all of the Company's remaining 8% Convertible Subordinated Debentures were converted into Common Stock or redeemed. As a result, interest expense during fiscal 1995 was lower than the amount reported in fiscal 1994. In connection with the October 2, 1995 AFW acquisition, the Company borrowed $15.0 million under its Bank Credit facility and $34.4 million pursuant to promissory notes issued to certain former Circle "S" shareholders. During fiscal 1996, the Company will incur interest expense associated with these borrowings until they are repaid.

The increase in the effective tax rate to 23% in fiscal 1995 compared to the fiscal 1994 rate of 20% was due primarily to utilization of remaining net operating loss carryforwards in fiscal 1994, utilization in the United States of R&D tax credits not previously used due to the effects of net operating losses, and to the amount and geographic distribution of taxable income in fiscal 1995. The Company expects that its overall effective tax rate will be higher in the future, as most available tax credits were utilized by the end of fiscal 1995.

The Company is in the process of developing a new generation of wire bonder, the 8000 family, which will be based on an entirely new platform and will require the development of new software and many subassemblies not part of the Company's current wire bonders. While development and technical risks exist which have the potential to delay the introduction of the Model 8020, the Company currently expects that the product will be released in the second half of calendar 1996. However, no assurance can be given that its scheduled introduction in the second half of 1996 will not be delayed, due to technical or other difficulties, or that the Model 8020 will not experience quality or reliability problems after shipment. The Company's inability to complete the development of and introduce the Model 8020 or other new products, or its inability to manufacture and ship these products in volume and on a timely basis, could adversely affect the Company's competitive position. The Company also may incur substantial costs early in a new product's life cycle to ensure the functionality and reliability of such product. Furthermore, the Company's planned transition to the Model 8020 platform involves numerous risks, including the possibility that customers will defer purchases of Model 1488 Turbo wire bonders in anticipation of the availability of the Model 8020 or that the Model 8020 will fail to meet customer needs or achieve market acceptance. To the extent that the Company fails to forecast demand in volume and configuration for both its current and next-generation wire bonders and generally to manage product transitions successfully, it could experience reduced orders, delays in product shipments, increased risk of inventory obsolescence and delays in collecting accounts receivable. There can be no assurance that the Company will successfully develop and manufacture new products, including the Model 8020, that new products introduced by the Company will be accepted in the marketplace or that the Company will manage its product transitions successfully. The Company's failure to do any of the foregoing would materially adversely affect the Company's business, financial condition and operating results.

In October 1995, Statement of Financial Accounting Standards No. 123, "Accounting for Stock-based Compensation" ("SFAS 123"), was issued. This statement requires the fair value of stock options and other stock-based compensation issued to employees to either be included as compensation expense in the income statement, or the pro forma effect on net income and earnings per share of such compensation expense to be disclosed in the footnotes to the Company's financial statements commencing with the Company's 1997 fiscal year. The Company expects to adopt SFAS 123 on a disclosure basis only. As such, implementation of SFAS 123 is not expected to impact the Company's consolidated balance sheet or income statement.

ACQUISITION OF AFW

On October 2, 1995, the Company acquired AFW, a manufacturer of gold and aluminum bonding wire primarily used in the semiconductor assembly industry. Following the AFW acquisition, the Company's consolidated operating results will include the sales, costs and expenses of AFW. During the 12 month period ended September 30, 1995, AFW's revenues totaled $72.4 million. Revenues of AFW include a fabrication charge per thousand feet of wire and the value of precious metals (primarily gold) which is sold to the customer. . AFW has historically reported a lower gross profit margin than the Company. As such, the Company expects its future consolidated gross profit percentage to be lower than historically reported.

The Company's future operating costs will include the operating costs of the AFW business, amortization of intangible assets, including goodwill, arising from the AFW Acquisition and interest expense associated with the acquisition financing. The amortization of intangible assets arising from the AFW Acquisition is not expected to be tax deductible, and as such, will adversely affect the Company's overall effective tax rate in the future. See Note 2 to the Company's fiscal 1995 consolidated financial statements include herein.

As a result of the AFW acquisition, the portion of the Company's operations attributable to the expendable tools and materials will exceed 10% of total revenues. These products have different manufacturing processes, distribution channels and a less volatile revenue pattern than the Company's capital equipment business. Accordingly, in the future, the Company intends to report its operations in two business segments, its equipment business (sales of capital equipment, related spare parts and services) and its expendable tools and materials business (which will include the Micro-Swiss and AFW operations).

FISCAL YEARS ENDED SEPTEMBER 30, 1994 AND SEPTEMBER 30, 1993

The Company achieved record sales and bookings of customer orders during fiscal 1994. This growth was driven by the continued expansion of the semiconductor industry and increased investment in semiconductor assembly equipment. Driven largely by growing demand for the Company's Model 1484LXQ gold ball wire bonders and Model 1472 aluminum wedge bonders, bookings increased 11% in fiscal 1994 to $178.0 million. Backlog rose from $42.0 million at September 30, 1993 to $46.8 million at September 30, 1994.

Net sales increased 23% in fiscal 1994 to $173.3 million compared to $140.9 million in 1993. Increased unit volume, primarily of the Company's Model 1484LXQ gold ball wire bonders, Model 1472 aluminum wedge bonders and expendable tools, generated approximately $38.7 million of incremental net sales in fiscal 1994 over fiscal 1993. The acquisition of the AT business contributed an additional $1.9 million to fiscal 1994 net sales. By geographic region, increases in net sales in 1994 as compared with 1993 were primarily attributable to customers located in the Asia Pacific region and, to a lesser extent, to customers located in the United States. Sales to customers in Asia Pacific and the United States accounted for more than 90% of the Company's net sales in fiscal 1994.

Increases in net sales from the higher unit volume were partially offset by lower average selling prices of certain machines due to the continuing competitive pricing environment in the Asian market and to discounts given for certain large volume orders booked early in fiscal 1994. In July 1994, the

Company introduced the Model 1488 Turbo gold ball wire bonder, which offers significantly improved throughput compared to the Model 1484LXQ ball bonders. The higher productivity offered by this model led to higher average selling prices.

Cost of goods sold increased to $101.3 million for fiscal 1994 from $79.2 million during fiscal 1993, largely as a result of increased unit volume in fiscal 1994. Gross profit as a percentage of net sales decreased from 43.8% during fiscal 1993 to 41.5% for fiscal 1994. This change resulted primarily from the lower average selling prices realized on Model 1484LXQ gold ball wire bonders and, to a lesser extent, from a shift in sales mix. In fiscal 1994, sales of gold ball wire bonders, which have lower than average gross margins, increased to 51% of net sales compared to 46% of total net sales in fiscal 1993. Conversely, sales of higher margin spare parts declined from 14% of net sales in 1993 to 11% in 1994.

SG&A expenses increased 17% to $36.8 million in fiscal 1994 from the $31.5 million reported in fiscal 1993. These higher expenses were primarily attributable to increased sales and customer support activities associated with increased unit volume and the larger installed base of machines, increased costs to enhance the Company's worldwide management information systems and incremental costs to market and support the additional products offered by the Company following the acquisition of AT, including a new sales and service office in Singapore.

Net R&D increased to $21.3 million during fiscal 1994 from $15.9 million in fiscal 1993. Personnel related costs rose as the Company expanded its overall level of R&D activities in fiscal 1994. In addition, the Company incurred higher outside service and prototype materials costs in fiscal 1994 as R&D activities on new products progressed from the design to the development and testing stage. Gross R&D expenses were partially offset by funding received from customers and governmental subsidies totaling $2.0 million in fiscal 1994 and $1.0 million in fiscal 1993. Major R&D projects during fiscal 1994 included development of the improved productivity Model 1488 Turbo gold ball wire bonder, continued efforts toward the next generation 8000 series automatic wire bonders, development of the Model 6900 automatic die attach machine and continuous improvements to enhance the capabilities or extend the lives of the Company's existing products.

Income from operations totaled $13.9 million in fiscal 1994 compared to $14.3 million in fiscal 1993. Although gross profit increased $10.3 million from fiscal 1993 to fiscal 1994, gross profit margin as a percentage of sales decreased from 43.8% in fiscal 1993 to 41.5% in fiscal 1994. This decline resulted primarily from the lower average selling prices for 1484LXQ gold ball wire bonders and, to a lesser extent, an unfavorable shift in the sales mix. As discussed previously, SG&A and R&D expenses increased $10.7 million resulting in lower operating income (primarily in the United States) in fiscal 1994 compared to fiscal 1993.

Changes in interest income and expense were not significant. In fiscal 1993, the Company charged $1.1 million to expense in connection with a failed acquisition attempt; there was no comparable charge in fiscal 1994. The Company's effective tax rate increased to 20% in fiscal 1994 compared to 10.4% in fiscal 1993. The increase primarily resulted from a shift in the amount and geographic distribution of taxable income during fiscal 1994 and from higher utilization of net operating loss carryforwards in the United States and Israel during fiscal 1993.

LIQUIDITY AND CAPITAL RESOURCES

During the past three fiscal years, the Company has financed its operations principally through cash flows from operations. Cash flows from operating activities and the overall increase in cash and total investments in fiscal 1995 compared to fiscal 1994 generally reflect improved profitability in fiscal 1995. Cash generated by operating activities totaled $22.0 million during fiscal 1995 compared to $12.8 million during fiscal 1994. Cash and total investments increased to $40.9 million at September 30, 1995 from the $27.0 million reported at September 30, 1994.

At September 30, 1995, working capital increased to $103.8 million compared to $61.5 million at September 30, 1994. The accounts receivable balance at September 30, 1995 increased by $37.2 million compared to the

September 30, 1994 balance due largely to increased sales volume in the fiscal 1995 fourth quarter. The $13.6 million increase in inventory at September 30, 1995 primarily reflects growth in raw materials and work in process inventories as the Company continues to increase manufacturing activities to satisfy increased customer demand for its products.

Trade accounts payable and accrued expenses increased by approximately $20.9 million at September 30, 1995 compared to their September 30, 1994 balances.

The increase in trade payables is directly attributable to increased inventory purchases during the fourth quarter of fiscal 1995. The increase in accrued expenses primarily resulted from higher sales and management incentives due to improved fiscal 1995 sales and profits and to increased accruals associated with higher employment levels compared to fiscal 1994.

During fiscal 1995, the Company invested approximately $10.8 million in property and equipment, primarily to upgrade equipment used in the Company's manufacturing and R&D activities and for tooling used in the manufacturing of new machines. The Company presently expects fiscal 1996 capital spending to approximate $30 million. The principal capital projects planned for fiscal 1996 include expansion of facilities (including Singapore and Israel), the purchase of equipment necessary to expand capacity, and a new world-wide management information system. Relocation of AFW's facility in Singapore and the Micro-Swiss facility in Israel is not expected to have a material adverse effect on the Company's results of operation, cash flow or liquidity.

The Company has signed a memorandum of understanding and is currently in discussions with one party which would involve the formation of a joint venture to pursue flip-chip bonding technology development and subcontract services to semiconductor manufacturers. Such joint venture, if consummated on the terms currently being discussed, would require a minimum initial investment of approximately $11.0 million to fund the start up of operations.

Cash proceeds to the Company from stock option exercises and sales of shares of Common Stock to employees pursuant to the Company's Employee Stock Purchase Plan generated approximately $1.5 million in cash during fiscal 1995.

The Company maintains a $10.0 million unsecured revolving bank credit facility, subject to interest at 0.25% below the lender's prime rate. Borrowings under this credit line are subject to the Company's compliance with certain financial and other covenants. There were no borrowings under this credit line during fiscal 1995. This credit line will expire on March 29, 1996, unless renewed. The Company expects to renew this credit line.

As described more fully in Note 6 to the Company's fiscal 1995 consolidated financial statements, the Company borrowed $15.0 million under its new term credit facility and $34.4 million pursuant to certain promissory notes, to finance the AFW acquisition. The promissory notes are due January 5, 1996. The Company may borrow additional amounts under the term credit facility to repay the AFW Notes when due. Amounts borrowed under the term credit facility will automatically convert into a five-year term loan payable in equal monthly installments if not repaid by March 29, 1996.

A significant portion of the Company's cash and investments are attributable to undistributed earnings of its foreign subsidiaries. Deferred income taxes have not been provided on that portion of such undistributed earnings which is considered indefinitely reinvested in the foreign operations. If such funds were required to be repatriated to fund the Company's operations or other financial obligations, additional income tax expenses could be required to be recognized. The amended Gold Supply Agreement dated October 2, 1995 between AFW and its subsidiaries (collectively, the "AFW Companies") and their gold supplier contains certain financial covenants and prohibits the AFW Companies from paying any dividends or making any distributions without the consent of the supplier if, following any such dividend or distribution, the net worth of the AFW Companies would be less than $7.0 million.

The Company believes that anticipated cash flows from operations, its working capital and amounts available under its revolving credit facility will be sufficient to meet the Company's liquidity and capital requirements for at least the next 12 months, including debt service requirements under its bank credit facility. The Company may, however, seek equity or debt financing to provide capital for corporate purposes and/or to fund strategic

business opportunities, including possible acquisitions, joint ventures, alliances or other business arrangements which could require substantial capital outlays. The timing and amount of such capital requirements cannot be precisely determined at this time and will depend on a number of factors, including demand for the Company's products, semiconductor and semiconductor capital equipment industry conditions and competitive factors and the nature and size of strategic business opportunities which the Company may elect to pursue.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

The consolidated Financial Statements of Kulicke and Soffa Industries, Inc. and its subsidiaries, listed in the index appearing under Item 14 (a) (1) and (2) are filed as part of the Annual Report on Form 10-K.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders
Kulicke and Soffa Industries, Inc.

In our opinion, based upon our audits and the report of other auditors, the consolidated financial statements listed in the index appearing under Item 14(a)(1) and (2) on page 22 of this Annual Report on Form 10-K present fairly, in all material respects, the financial position of Kulicke and Soffa Industries, Inc. and its subsidiaries at September 30, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 1995, in conformity with generally accepted accounting principles. 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 did not audit the consolidated financial statements of Kulicke and Soffa (Israel) Ltd., a wholly-owned subsidiary, as of September 30, 1994 and for the years ended September 30, 1994 and 1993 which consolidated statements reflect, before adjustments to eliminate intercompany activity, total assets of $17,906,000 at September 30, 1994 and net sales of $27,864,000 and $23,629,000 for the years ended September 30, 1994 and 1993, respectively. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Kulicke and Soffa (Israel) Ltd., is based solely on the report of the other auditors. We conducted our audits of these statements in accordance with generally accepted auditing standards 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 and the report of other auditors provide a reasonable basis for the opinion expressed above.

/s/ PRICE WATERHOUSE LLP

Philadelphia, Pennsylvania
November 14, 1995

REPORT OF INDEPENDENT ACCOUNTANTS

To the Directors and Shareholders of
Kulicke and Soffa (Israel) Ltd.

We have audited the consolidated balance sheets of Kulicke and Soffa (Israel) Ltd. and subsidiary as of September 30, 1994, and the related consolidated statements of operations and retained earnings and cash flows for each of the two years in the period ended September 30, 1994, all expressed in U.S. dollars. 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 in accordance with generally accepted auditing standards in Israel and the United States. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements (not separately presented herein) expressed in U.S. dollars, present fairly, in all material respects, the consolidated financial position of Kulicke and Soffa (Israel) Ltd. and subsidiary as of September 30, 1994, and the consolidated results of their operations and retained earnings and their cash flows for each of the two years in the period ended September 30, 1994, in conformity with generally accepted accounting principles in the United States.

/s/ LUBOSHITZ, KASIERER & CO.

Certified Public Accountants (Israel)
Haifa, Israel

November 3, 1994

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KULICKE AND SOFFA INDUSTRIES, INC.
CONSOLIDATED BALANCE SHEET
(IN THOUSANDS)

	September 30, 1995	September 30, 1994
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (including time deposits: 1995 - $7,877; 1994 - $1,297)	$ 28,624	$ 8,754
Short-term investments	9,590	12,933
Accounts and notes receivable (less allowance for doubtful accounts: 1995 - $1,094; 1994 - $422)	77,427	40,258
Inventories, net	40,850	27,218
Prepaid expenses and other current assets	3,534	2,427
TOTAL CURRENT ASSETS	160,025	91,590
Investments in debt securities held-to-maturity	2,732	5,310
Property, plant and equipment, net	25,519	20,562
Other assets, including goodwill	2,753	3,736
TOTAL ASSETS	$191,029	$121,198
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Debt due within one year	$ 60	$ 60
Accounts payable to suppliers and others	33,145	19,956
Accrued expenses	16,014	8,300
Estimated income taxes payable	6,973	1,815
TOTAL CURRENT LIABILITIES	56,192	30,131
Long-term debt, less current portion	156	26,474
Deferred income taxes	--	642
Other liabilities	1,034	717
TOTAL LIABILITIES	57,382	57,964
Commitments and contingencies (Notes 2, 5, 6, 8 and 12)	--	--
SHAREHOLDERS' EQUITY:		
Preferred stock, without par value: Authorized - 5,000 shares; issued - none	--	--
Common stock, without par value: Authorized - 50,000 shares; issued and outstanding: 1995 - 19,310; 1994 - 16,499	45,757	17,839
Retained earnings	89,238	46,416
Cumulative translation adjustment	(1,348)	(841)
Unrealized loss on investments, net of tax	--	(180)
TOTAL SHAREHOLDERS' EQUITY	133,647	63,234
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$191,029	$121,198

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

KULICKE AND SOFFA INDUSTRIES, INC.
CONSOLIDATED INCOME STATEMENT
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Fiscal Year Ended September 30,		
	1995	1994	1993
Net sales	$304,509	$173,302	$140,880
Cost of goods sold	167,457	101,334	79,205
Gross profit	137,052	71,968	61,675
Selling, general and administrative	50,728	36,752	31,463
Research and development, net	30,884	21,286	15,932
Income from operations	55,440	13,930	14,280
Interest income	1,580	1,264	1,136
Interest expense	(1,407)	(2,171)	(2,202)
Other expense	--	--	(1,125)
Income before income taxes	55,613	13,023	12,089
Provision for income tax expense	12,791	2,605	1,258
Net income	$ 42,822	$ 10,418	$ 10,831
Net income per share:			
Primary	$ 2.38	$ 0.63	$ 0.66
Fully diluted	$ 2.22	$ 0.63	$ 0.66
Weighted average number of shares outstanding:			
Primary	18,028	16,665	16,342
Fully diluted	19,693	16,665	16,342

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

KULICKE AND SOFFA INDUSTRIES, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(IN THOUSANDS)

	Fiscal Year Ended September 30,		
	1995	1994	1993
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 42,822	$ 10,418	$ 10,831
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	4,947	3,940	3,212
Provision for doubtful accounts	826	103	175
(Gain) loss on sale or disposition of property and equipment	(136)	370	9
Deferred taxes on income	(718)	234	408
Provision for inventory reserves	2,758	677	1,011
Foreign currency transaction (gain) loss	281	(267)	(138)
Changes in components of working capital, excluding effects of business acquisitions:			
Increase in accounts receivable	(37,995)	(11,023)	(10,695)
Decrease (increase) in inventories	(16,390)	3,258	(10,604)
Decrease (increase) in prepaid expenses other current assets	(1,107)	677	630
Increase in accounts payable and accrued expenses	20,903	2,523	8,178
Increase in estimated income taxes payable	5,158	1,287	585
Other, net	699	573	275
Net cash provided by operating activities	22,048	12,770	3,877
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of net assets of Assembly Technologies, including transaction costs	--	(3,296)	--
Purchases of investments classified as available-for-sale	(12,612)	(25,891)	(10,608)
Proceeds from sales of investments classified as available-for-sale	16,631	22,825	10,824
Proceeds from maturities of investments			

classified as held-to-maturity	2,082	--	--
Purchases of plant and equipment	(10,777)	(6,202)	(4,404)
Proceeds from sale of property and equipment	1,067	123	122
Net cash used by investing activities	(3,609)	(12,441)	(4,066)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments on borrowings	(60)	(60)	(82)
Proceeds from issuances of common stock	1,484	1,084	1,215
Net cash provided by financing activities	1,424	1,024	1,133
Effect of exchange rate changes on cash	7	(12)	55
CHANGE IN CASH AND CASH EQUIVALENTS	19,870	1,341	999
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	8,754	7,413	6,414
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 28,624	$ 8,754	$ 7,413

See Note 6 for disclosure of non-cash financing activities.

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

KULICKE AND SOFFA INDUSTRIES, INC.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(IN THOUSANDS)

	Common Stock		Retained	Cumulative Translation	Unrealized Loss on	Total Shareholders'
	Shares	Amount	Earnings	Adjustment	Investments	Equity
Balances at September 30, 1992	15,888	$15,066	$25,167	$(1,245)	$ --	$ 38,988
Purchases under the employee stock purchase plan	127	330	--	--	--	330
Employer contribution pursuant to 401(k) plan	22	91	--	--	--	91
Exercise of stock options	206	840	--	--	--	840
Shares issued upon conversion of subordinated debt	1	9	--	--	--	9
Translation adjustment	--	--	--	392	--	392
Net income	--	--	10,831	--	--	10,831
Balances at September 30, 1993	16,244	16,336	35,998	(853)	--	51,481
Purchases under the employee stock purchase plan	79	369	--	--	--	369
Employer contribution pursuant to 401(k) plan	16	112	--	--	--	112
Exercise of stock options	144	603	--	--	--	603
Tax benefit from exercise of stock options	--	245	--	--	--	245
Shares issued upon conversion of subordinated debt	16	174	--	--	--	174
Translation adjustment	--	--	--	12	--	12
Unrealized loss on investments	--	--	--	--	(180)	(180)
Net income	--	--	10,418	--	--	10,418
Balances at September 30, 1994	16,499	17,839	46,416	(841)	(180)	63,234
under the employee stock purchase plan	119	556	--	--	--	556
Employer contribution pursuant to 401(k) plan	12	118	--	--	--	118
Exercise of stock options	217	928	--	--	--	928
Tax benefit from exercise of stock options	--	154	--	--	--	154
Shares issued upon conversion of subordinated debt	2,463	26,162	--	--	--	26,162
Translation adjustment	--	--	--	(507)	--	(507)
Unrealized gain on investments	--	--	--	--	180	180
Net income	--	--	42,822	--	--	42,822
Balances at September 30, 1995	19,310	$45,757	$89,238	$(1,348)	$ --	$133,647

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

KULICKE AND SOFFA INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements include the accounts of Kulicke and Soffa Industries, Inc. and its subsidiaries (the "Company"), with appropriate elimination of intercompany balances and transactions.

Cash Equivalents - The Company considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Investments - At September 30, 1994, the Company adopted Statement of Financial Accounting Standards No. 115 ("SFAS 115"), "Accounting for Certain Investments in Debt and Equity Securities." In accordance with SFAS 115, the Company's investments other than cash equivalents are classified as "trading," "available-for-sale" or "held-to-maturity," depending upon the nature of the investment, its ultimate maturity date in the case of debt securities, and management's intentions with respect to holding the securities. Investments classified as available-for-sale are reported at fair market value, with net unrealized gains or losses reflected as a separate component of shareholders' equity. Investments classified as held-to-maturity are reported at amortized cost. Realized gains and losses are determined on the basis of specific identification of the securities sold.

Concentration of Credit Risks - Financial instruments which may subject the Company to concentration of credit risk at September 30, 1995 and 1994 consist primarily of investments and trade receivables. The Company manages credit risk associated with investments by investing its excess cash in investment grade debt instruments of the U.S. Government, financial institutions and corporations. The Company has established investment guidelines relative to diversification and maturities designed to maintain safety and liquidity. These guidelines are periodically reviewed and modified to take advantage of trends in yields and interest rates. The Company's trade receivables result primarily from the sale of semiconductor equipment and related accessories and replacement parts to a relatively small number of large manufacturers in a highly concentrated industry. The Company continually assesses the financial strength of its customers to reduce the risk of loss. Accounts receivable at September 30, 1995 and 1994 include notes receivable of $15,164 and $204, respectively. The majority of the notes receivable represent an unsecured note from one customer due in 270 days from the date of shipment, with interest commencing after 90 days from the date of issuance at the prime rate plus .25%.

Inventories - Inventories are stated at the lower of cost (determined on the basis of first-in, first-out for certain inventories and average cost for others) or market. The Company generally provides reserves for inventory considered to be in excess of 18 months of forecasted future demand.

Property, Plant and Equipment - Property, plant and equipment are carried at cost. The cost of additions and those improvements which increase the capacity or lengthen the useful lives of assets are capitalized while repair and maintenance costs are expensed as incurred. Depreciation and amortization are provided on a straight-line basis over the following estimated useful lives: buildings - 25 to 40 years; machinery and equipment - 3 to 8 years; leasehold improvements - life of lease or life of asset. Purchased computer software costs related to business and financial systems are included in other assets and are amortized over a five year period on a straight-line basis.

Intangible Assets - Goodwill resulting from acquisitions accounted for using the purchase method is amortized on a straight-line basis over the estimated period to be benefited by the acquisition ranging from fifteen to twenty years (see Notes 2 and 10). The Company has adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," effective October 1, 1994. The carrying value of long-lived assets, including goodwill, is evaluated whenever changes in circumstances indicate the carrying amount of such assets may not be recoverable. In performing such review for recoverability, the Company compares the expected future cash flows to the carrying value of long-lived assets and identifiable intangibles. If the anticipated discounted future cash flows are less than the carrying amount of such assets, the Company recognizes an impairment loss for the difference between the carrying amount of the assets and their estimated fair value. If an asset being tested for recoverability was acquired in a

business combination accounted for using the purchase method, the excess of cost over fair value of net assets that arose in that transaction is allocated to the assets being tested for recoverability on a pro rata basis using the relative fair values of the long-lived assets and identifiable intangibles acquired at the acquisition date.

Post-Employment Benefits - In fiscal 1995, the Company adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits." This Statement requires that these benefits be accrued over the employees' periods of service if such benefits vest ratably, or upon termination in certain instances. Adoption of this new statement did not materially impact the Company's financial position or results of operations.

Foreign Currency Translation - The U.S. dollar is the functional currency for all subsidiaries except Kulicke and Soffa (Japan) Ltd., whose functional currency is the Japanese yen. Unrealized translation gains and losses resulting from the translation of Kulicke and Soffa (Japan) Ltd. functional currency financial statement amounts into U.S. dollars in accordance with SFAS No. 52 are not included in determining net income but are accumulated in the Cumulative Translation Adjustment account as a separate component of shareholders' equity. Gains and losses resulting from foreign currency transactions are included in the determination of net income.

Revenue Recognition - Sales are recorded upon shipment of products or performance of services. Expenses for estimated product returns and warranty costs are accrued in the period of sale recognition.

Research and Development Arrangements - The Company receives funding from certain customers and government agencies pursuant to contracts or other arrangements for the performance of specified research and development activities. Such amounts are recognized as a reduction of research and development expense when specified activities have been performed. During fiscal 1995, 1994 and 1993, reductions to research and development expense related to such funding totaled $2,843, $2,022 and $1,005, respectively.

Income Taxes - On October 1, 1993, the Company adopted SFAS No. 109, "Accounting for Income Taxes," on a prospective basis. Until September 30, 1993 the Company's provision for income taxes was based upon SFAS No. 96. Implementation of SFAS No. 109 did not have a material effect on the Company's financial statements. Deferred income taxes are not provided for undistributed earnings of consolidated subsidiaries when such earnings are determined to be invested indefinitely.

Earnings Per Share - Primary earnings per share are computed using the weighted average number of common shares outstanding. Recognition is given to the assumed exercise of stock options, if dilutive. Fully diluted earnings per share are computed based on the weighted average number of shares outstanding plus those shares assumed to be issued upon the exercise of stock options and, in fiscal 1995, the conversion of the subordinated debentures, after giving effect to the elimination of interest expense, net of income taxes, applicable to the debentures. For fiscal 1994 and 1993, no recognition was given to the assumed conversion of debentures since such conversion would either be anti-dilutive or dilution would be less than 3%.

Accounting for Stock-based Compensation - In October 1995, Statement of Financial Accounting Standards No. 123, "Accounting for Stock-based Compensation" ("SFAS 123"), was issued. This statement requires the fair value of stock options and other stock-based compensation issued to employees to either be included as compensation expense in the income statement, or the pro forma effect on net income and earnings per share of such compensation expense to be disclosed in the footnotes to the Company's financial statements commencing with the Company's 1997 fiscal year. The Company expects to adopt SFAS 123 on a disclosure basis only. As such, implementation of SFAS 123 is not expected to impact the Company's consolidated balance sheet or income statement.

NOTE 2: SUBSEQUENT EVENT - ACQUISITION OF AMERICAN FINE WIRE CORPORATION

On October 2, 1995, the Company acquired American Fine Wire Corporation ("AFW") through the acquisition of all of the common stock of Circle "S" Industries, Inc., the parent corporation of AFW ("Circle S"). AFW is a manufacturer of fine gold and aluminum wire used in the wire bonding process, and has manufacturing facilities in Singapore; Selma, Alabama; and Zurich, Switzerland.

The preliminary purchase price, before transaction related costs, approximated $53.6 million, subject to possible upward or downward adjustment upon completion of the audit of the closing balance sheet. The Company does not anticipate

any material adjustment to the preliminary purchase price. The purchase price was initially financed by borrowings under a new bank term credit facility and seller promissory notes (see Note 6). The excess of the total purchase price over the estimated fair value of acquired tangible net assets is expected to approximate $42 million, consisting primarily of goodwill and a favorable operating lease, both of which will be amortized over a twenty-year period.

This acquisition will be accounted for in fiscal 1996 using the purchase method. Accordingly, AFW's operating results will be included in the Company's historical financial statements commencing October 2, 1995.

Revenues of AFW include a fabrication charge per thousand feet of wire and the value of precious metals (primarily gold) which is sold to the customer. Gross revenues could vary significantly based on market fluctuations in the value of gold. To minimize the Company's financial exposure to gold price fluctuations, the Company obtains gold from its gold supplier on a consignment basis during the fabrication process and purchases the gold upon shipment and sale of the finished product to the customer.

Unaudited pro forma balance sheet and income statement data reflecting the combined balance sheet at September 30, 1995 and combined operating results of the Company and AFW as if the acquisition had occurred on October 1, 1994, after giving effect to certain pro forma adjustments, are as follows:

	Pro forma (unaudited)
Current assets	$178,214
Property, plant and equipment, net	29,206
Intangible assets, including goodwill, net	43,454
Other assets	5,508
Total assets	$256,382
Debt due within one year	$ 57,489
Other current liabilities	63,256
Other liabilities	1,990
Total liabilities	122,735
Shareholders' equity	133,647
Total liabilities and shareholders' equity	$256,382
Revenue	$376,956
Net income	40,994
Net income per share	$2.13

The foregoing unaudited pro forma results of operations reflect one year's amortization of the estimated amount of intangible assets, including goodwill, resulting from the acquisition of AFW.

NOTE 3: INVESTMENTS

The Company adopted SFAS 115 effective September 30, 1994. Adoption of SFAS 115 had no impact on fiscal 1994 results of operations. At September 30, 1995 and 1994, no short-term investments were classified as trading. Investments, excluding cash equivalents, consisted of the following at September 30, 1995 and 1994:

	September 30, 1995			September 30, 1994		
Available-for-sale:	Fair Value	Unrealized Gains (Losses)	Original Cost of Investment	Fair Value	Unrealized Gains (Losses)	Original Cost of Investment
U.S. Treasury bills maturing in less than one year	$5,455	$ --	$ 5,455	$ 4,958	$ --	$4,958
Bond mutual funds with weighted average maturity less than five years	--	--	--	2,932	(180)	3,112
Adjustable rate notes and preferred stock	2,122	--	2,122	3,507	--	3,507
Short-term investments classified as available for sale	$7,577	$ --	$7,577	$11,397	$ (180)	$ 11,577
Held-to-maturity:						
Corporate bonds with weighted average maturity less than three years	$4,448	$ 42	$4,490	$ 5,924	$ (165)	$ 6,089
U.S. Treasury notes with maturity less than three years	256	(1)	255	757	--	757
	$4,704	$ 41	4,745	$ 6,681	$ (165)	6,846

Short-term investments classified as held-to maturity	2,013	1,536
Held-to-maturity investments maturing after one year, within five years	$2,732	$ 5,310

NOTE 4: INVENTORIES

	September 30, 1995	1994
Finished goods	$10,673	$ 7,657
Work in process	15,740	8,664
Raw materials and supplies	22,190	17,533
	48,603	33,854
Inventory reserves	(7,753)	(6,636)
	$40,850	$27,218

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

	September 30, 1995	1994
Land	$ 1,026	$ 1,095
Buildings and building improvements	14,879	14,168
Machinery and equipment	38,705	31,293
Leasehold improvements	2,137	1,362
	56,747	47,918
Less - Accumulated depreciation and amortization	(31,228)	(27,356)
	$ 25,519	$ 20,562

The Company has obligations under various operating leases, primarily for manufacturing and office facilities, which expire periodically through 2107. In addition, in connection with the October 2, 1995 acquisition of AFW, the Company assumed certain leases associated with AFW's facilities. Minimum rental commitments under these leases including the AFW leases (excluding taxes, insurance, maintenance and repairs, which are also paid by the Company), are as follows: $1,515 in 1996; $1,191 in 1997; $696 in 1998; $528 in 1999; and $6,347 thereafter.

Rent expense for fiscal 1995, 1994 and 1993 was $2,355, $1,663 and $1,585, respectively.

NOTE 6: DEBT OBLIGATIONS

Debt obligations include the following:

	September 30, 1995	1994
United States:		
8% convertible subordinated debentures	$ --	$26,257
Asia:		
Term loan	216	277
Total debt obligations	216	26,534
Less - current portion	60	60
Debt due after one year	$ 156	$26,474

The 8% convertible subordinated debentures (the "Debentures") were due March 1, 2008, and required minimum annual sinking fund payments of $1,750. The Debentures were convertible at any time prior to maturity into shares of common stock at a conversion rate of $10.66 per share. In 1995, the Company called for redemption the remaining outstanding Debentures at a redemption price of 101.60% of the principal amount of the Debentures, plus accrued interest thereon. All but $11 of such Debentures were converted into the Company's common stock by July 10, 1995. The remaining $11 in Debentures were redeemed. During fiscal 1994, $174 of Debentures were converted into 16,324 shares of the Company's Common Stock. During fiscal 1993, $9 of Debentures were converted into 842 shares of Common Stock.

The term loan of the Asian subsidiary is payable in equal monthly installments of $5, which include interest, to 1999. Interest is calculated at the Hong Kong prime rate plus 1/2% (9.5% at September 30, 1995 and 8.25% at September 30, 1994).

During fiscal 1995, the Company had a $10,000 unsecured revolving loan facility with interest at prime less 1/4%, and an unused commitment fee equal to 1/4 of 1% of the daily average unused amount of the revolving loan. Borrowings under this facility were subject to certain financial and other covenants, all of which were met as of September 30, 1995. There were no borrowings under this revolving loan facility during fiscal 1995.

In connection with the AFW acquisition, on September 14, 1995, the Company entered into a Restated Loan Agreement which extended its existing $10,000 revolving loan facility to March 29, 1996 (unless renewed) and established a new

term credit facility for borrowings of up to $50,000 to finance the AFW acquisition. Borrowings under the $50,000 term credit facility during the first 180 days bear interest at the LIBOR rate plus 50 basis points (6.4375% on October 2, 1995). If amounts borrowed under the term credit facility are not repaid by March 29, 1996, the loan automatically will be converted into a five-year term loan payable in equal monthly installments, plus accrued interest. If converted into a five-year term loan, the term credit facility would bear interest, at the Company's option, at 115 basis points over the five-year U.S. Treasury Securities rate or 100 basis points over LIBOR. The Restated Loan Agreement is unsecured and contains certain financial and other covenants including maintenance of tangible net worth not less than $55.0 million, working capital of not less than $35.0 million, a current ratio of not less than 1.25 to 1.0, a leverage ratio of not more than 1.75 to 1.0 and a fixed charge coverage ratio of not less than 2.0 to 1.0.

On October 2, 1995, the Company borrowed $15,033 under the term credit facility to fund the cash portion of the AFW purchase price. In addition, the Company issued promissory notes to certain selling shareholders of Circle "S" totaling $34,395, which are due on January 5, 1996, bear interest at the rate of 6.4375% per year, less costs (1% per year) of the letters of credit securing such notes, and are not prepayable without the consent of the holders.

Maturities of long-term debt subsequent to September 30, 1995, (exclusive of the $49,428 borrowed in connection with the October 2, 1995 acquisition of AFW) are $60 in 1996, $60 in 1997, $60 in 1998 and $36 in 1999.

Interest paid on the Company's debt obligations was $1,407, $2,171 and $2,202 in fiscal 1995, 1994, and 1993, respectively.

NOTE 7: SHAREHOLDERS' EQUITY

Common Stock

On June 1, 1995, the Company declared a two-for-one split of its common stock which was distributed on July 28, 1995 to holders of record on July 17, 1995. All share and per share data in the accompanying consolidated financial statements have been adjusted to give effect to this stock split.

Stock Option Plans

The Company has three employee stock option plans for officers and key employees (the "Employee Plans") pursuant to which options may be granted at 100% of the market price of the Company's Common Stock on the date of grant. Options may no longer be granted under two of the plans. Options granted under the Employee Plans are exercisable at such dates as are determined in connection with their issuance, but not later than ten years after the date of grant.

The following summarizes all employee stock option activity for the three years ended September 30, 1995:

	September 30,					
	1995		1994		1993	
	Options	Average Exercise Price	Options	Average Exercise Price	Options	Average Exercise Price
	(Share amounts in thousands)					
Options outstanding at beginning of period	472	$5.30	538	$ 3.74	679	$4.05
Granted or reissued	350	8.06	105	11.46	115	2.88
Exercised	(130)	4.21	(118)	4.17	(188)	4.25
Terminated or canceled	(74)	6.66	(53)	4.07	(68)	3.41
Options outstanding at end of period	618	$6.93	472	$ 5.30	538	$3.74
Options exercisable at end of period	147	$4.52	200	$ 4.10	252	$4.36

The Company also maintains a stock option plan for non-officer directors (the "Director Plan") pursuant to which options to purchase 5,000 shares of the Company's Common Stock at an exercise price of 100% of the market price on the date of grant are issued to each non-officer director each year. Options to purchase 103,000 shares at an average exercise price of $7.19 were outstanding at September 30, 1995. Options to purchase 16,000 shares are currently exercisable. Options to purchase 88,000 shares granted under the Director Plan were exercised during 1995.

At September 30, 1995, 2,818,000 shares of the Company's Common Stock were reserved for issuance in connection with the stock option plans.

Employee Stock Purchase Plan

Through March 31, 1995, the Company maintained an Employee Stock Purchase Plan which allowed employees to purchase the Company's Common Stock at 85% of the market value on the first or last day of the offering period, whichever was lower. On March 31, 1995, 119,016 shares were sold to employees at a price of $4.675 per share, pursuant to this plan. Effective April 1, 1995 this Plan was discontinued.

NOTE 8: EMPLOYEE BENEFIT PLANS

The Company has a non-contributory defined benefit pension plan covering substantially all U.S. employees. The benefits for this plan are based on the employees' years of service and the employees' compensation during the three years before retirement. The Company's funding policy is consistent with the funding requirements of Federal law and regulations. Net pension cost for the U.S. plan comprises the following:

	Fiscal Year Ended September 30,		
	1995	1994	1993
Service cost-benefits earned during the period	$ 563	$ 564	$ 489
Interest cost on projected benefit obligations	797	670	633
Actual return on plan assets	(859)	(153)	(428)
Net amortization and deferral	(226)	(878)	(606)
Net pension expense (benefit) of U.S. plan	$ 275	$ 203	$ 88
Weighted average discount rate	7.75%	7.75%	7.25%
Rate of increase in future compensation	4.00%	4.00%	4.00%
Expected long-term return on assets	9.00%	9.00%	9.00%

The funded status of the U.S. plan follows:

	September 30,	
	1995	1994
Accumulated benefit obligation, including vested benefits of $9,040 and $8,384, respectively	$ 9,347	$ 8,577
Projected benefit obligation for service rendered to date	$(11,090)	$(10,288)
Plan assets at fair value, primarily mutual fund investments and U.S. Treasury bills	9,540	9,009
Excess of projected benefit obligation over plan assets	(1,550)	(1,279)
Unrecognized net implementation asset	(126)	(386)

Unrecognized net loss	2,215	2,456
Unrecognized prior service cost	81	107
Prepaid pension cost	$ 620	$ 898

The Company's foreign subsidiaries have retirement plans that are integrated with and supplement the benefits provided by laws of the various countries. They are not required to report nor do they determine the actuarial present value of accumulated benefits or net assets available for plan benefits. The Company believes that these plans are substantially fully funded as to vested benefits.

On a consolidated basis, pension expense was $618, $465 and $284 in fiscal 1995, 1994 and 1993, respectively.

The Company has a 401(k) Employee Incentive Savings Plan. This plan allows for employee contributions and matching Company contributions in varying percentages not to exceed 15% of the employees's contribution. The Company's contributions under this plan were $118, $112 and $91 in fiscal 1995, 1994 and 1993, respectively.

NOTE 9: INCOME TAXES

The provision for income taxes includes the following:

	Fiscal Year Ended September 30,		
	1995	1994	1993
Current:			
Federal	$9,470	$1,353	$ 596
State	600	100	75
Foreign	3,439	918	179
Deferred:			
Federal	(898)	113	(253)
Foreign	180	121	661
	$12,791	$2,605	$1,258

Undistributed earnings of certain foreign subsidiaries for which taxes have not been provided approximate $46,192 at September 30, 1995. Such undistributed earnings are intended to be indefinitely reinvested in foreign operations.

The Company's Japanese subsidiary has $844 in net operating loss carryforwards expiring through fiscal 1997, which may be used to offset future taxable income in Japan.

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate as follows:

	Fiscal Year Ended September 30,		
	1995	1994	1993
Computed income tax expense (benefit) based on U.S. statutory rate	$19,465	$4,558	$4,200
State taxes, net of federal benefit	390	65	49
Effect of earnings of foreign subsidiaries subject to different tax rates	(1,005)	(1,021)	(263)
Benefits from Israeli Approved Enterprise Zones	(1,470)	(822)	--
Benefits of net operating loss and tax credit carryforwards and change in valuation allowance	(3,493)	(532)	(5,251)
Provision for repatriation of foreign earnings, including foreign withholding taxes	180	121	2,112
Operating losses with no tax benefit	194	--	151
Effect of revisions of prior years' estimated income taxes	(505)	--	290
Benefits of Foreign Sales Corporation	(533)	--	--
Other, net	(432)	236	(30)
	$12,791	$ 2,605	$1,258

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Deferred taxes are determined based on the differences between the financial reporting and tax bases of assets and liabilities as measured by the current tax rates. The net deferred tax liability balance is attributable to the following cumulative temporary differences:

	September 30, 1995	September 30, 1994
Repatriation of foreign earnings, including foreign withholding taxes	$3,211	$3,031
Depreciable assets	1,329	1,111
Prepaid expenses and other	405	601
Total deferred tax liability	4,945	4,743
Inventory reserves	1,619	1,594
Accruals and other reserves	2,001	1,126
Net operating loss and tax credit carryforwards	435	5,235
Deferred intercompany profit	1,573	--
	5,628	7,955
Valuation allowance	(607)	(3,854)
Total deferred tax asset	5,021	4,101
Net deferred tax (asset) liability	$ (76)	$ 642

The remaining valuation allowance at September 30, 1995 is related to foreign net operating loss carryforwards scheduled to expire through the 1997 fiscal year. The net deferred tax asset at September 30, 1995 is included in other non-current assets.

The Company paid income taxes of $8,109, $1,019 and $74 in fiscal 1995, 1994 and 1993, respectively.

NOTE 10: OTHER FINANCIAL DATA

On October 1, 1995, the Company entered into a Manufacturing License and Supply Agreement with Tokyo Seimitsu Co. Ltd. for the right to manufacture, use and distribute certain products. In connection with the signing of this agreement, the Company is discontinuing the manufacture of a similar product in its Israeli manufacturing facility.

On July 13, 1994, the Company acquired the business and certain assets of Assembly Technologies, an operating division of General Signal Corporation ("AT"), for a cash purchase price approximating $3,296, including transaction-related costs. AT manufactured and sold semiconductor assembly equipment, including automatic die attach machines, automatic dicing saws and related spare parts. The transaction was accounted for as a purchase. Accordingly, the acquired assets and results of operations of the AT business are included in the Company's consolidated financial statements from the date of the acquisition. The excess of the purchase price and transaction-related costs over the fair value of net assets acquired of $1,287 was charged to goodwill, is being amortized over a fifteen year period, and is included in other assets at September 30, 1995 and 1994, net of accumulated amortization.

During fiscal 1993, the Company incurred approximately $1,125 in connection with a proposed acquisition. In September 1993, the Company announced that acquisition negotiations had been terminated and charged all costs associated with this failed transaction to other expense.

Accrued expenses at September 30, 1995 and 1994 include $7,242 and $3,964, respectively, for accrued wages, incentives and vacations.

Maintenance and repairs expense totaled $3,737, $3,027 and $2,503 for fiscal 1995, 1994 and 1993, respectively. Warranty and retrofit expense was $5,085, $1,354 and $661 for fiscal 1995, 1994 and 1993, respectively.

NOTE 11 - OPERATIONS BY GEOGRAPHIC AREA

Prior to its October 2, 1995 acquisition of AFW, the Company operated primarily in one industry segment, the manufacture and sale of production equipment to the semiconductor industry. As a result of the AFW acquisition, the portion of the Company's operations attributable to the expendable tools and materials products will exceed 10% of total revenues. The expendable tools and materials products have different manufacturing processes, distribution channels and a less volatile revenue pattern than the Company's capital equipment business. As such, prospectively, the Company will report its operations in two business segments, its equipment business (sales of capital equipment, related spare parts and services) and its expendable tools and materials business (which will include the Micro-Swiss and AFW operations).

The Company's market for its products is worldwide. Export sales (sales from U.S. based operations directly to foreign based customers and sales to foreign locations of U.S. based customers) totaled $78,435, $48,082 and $40,364 for the fiscal years ended September 30, 1995, 1994 and 1993, respectively. Of these amounts, approximately $68,072, $39,506 and $36,313 in fiscal 1995, 1994 and 1993, respectively, were shipped to customers in the Asia/Pacific region (primarily Korea and the Philippines). The remainder of the Company's exports were shipped to customers in the European region.

In addition, a substantial portion of the Company's products are sold to the Company's foreign subsidiaries which, in turn, sell to foreign based customers. Total shipments of the Company's products with ultimate foreign destinations (including export sales) accounted for 78%, 74% and 78% of net revenues during the fiscal years ended September 30, 1995, 1994 and 1993.

Additional information by geographic area for fiscal years ended September 30, 1995, 1994 and 1993 is as follows:

Fiscal year ended September 30, 1995:	United States	Hong Kong	Israel	Rest of World	Adjustments and Eliminations	Consolidated
Sales to unaffiliated customers	$146,577	$143,429	$ 773	$13,730	$ --	$304,509
Transfers between geographic areas	158,543	51	38,646	24	(197,264)	--
Total net revenues	$305,120	$143,480	$39,419	$13,754	$(197,264)	$304,509
Operating income (loss)	$ 37,530	$ 14,841	$ 9,004	$ 2,864	$ (2,345)	$ 61,894
General corporate expenses						6,454
Interest income, net						(173)
Income before income taxes						$ 55,613
Identifiable assets	$ 95,989	$ 42,653	$15,289	$12,229	$ (4,499)	$161,661
Corporate assets						29,368
Total assets						$191,029

Fiscal year ended September 30, 1994:	United States	Hong Kong	Israel	Rest of World	Adjustments and Eliminations	Consolidated
Sales to unaffiliated customers	$93,643	$71,985	$ 858	$ 6,816	$ --	$173,302
Transfers between geographic areas	81,119	219	27,006	304	(108,648)	--
Total net revenues	$174,762	$ 72,204	$27,864	$ 7,120	$(108,648)	$173,302
Operating income (loss)	$ 8,698	$ 5,784	$ 3,332	$ 690	$ 4	$ 18,508
General corporate expenses						4,578
Interest expense, net						907
Income before income taxes						$ 13,023
Identifiable assets	$ 63,991	$ 22,108	$ 9,652	$ 6,905	$ (2,154)	$100,502
Corporate assets						20,696
Total assets						$121,198

Fiscal year ended September 30, 1993:	United States	Hong Kong	Israel	Rest of World	Adjustments and Eliminations	Consolidated
Sales to unaffiliated						

customers	$ 71,585	$ 56,041	$ 4,186	$ 9,068	$ --	$140,880
Transfers between geographic areas	53,492	125	19,132	1,648	(74,397)	--
Total net revenues	$125,077	$ 56,166	$23,318	$10,716	$ (74,397)	$140,880
Operating income (loss)	$ 11,838	$ 4,380	$ 1,722	$ 990	$ (123)	$ 18,807
General corporate expenses						4,527
Interest expense, net						1,066
Other expense						1,125
Income before income taxes						$ 12,089
Identifiable assets	$ 53,756	$ 22,083	$10,176	$ 6,948	$ (2,356)	$ 90,607
Corporate assets						14,671
Total assets						$105,278

Transfers between geographic areas are primarily sales of finished products and spare parts and generally are priced at end customer selling price, with intercompany commissions paid to the selling subsidiary in the case of machines, and at a discount off list price in the case of spare parts. Such sales were primarily from the United States to the Company's sales and service operations in Hong Kong, Japan and Europe, and from Israel to the United States. Operating income (loss) by geographic area does not include an allocation of general corporate expenses. Identifiable assets are those that can be directly associated with a particular geographic area. Corporate assets consist principally of cash and investments.

Customers for the Company's equipment and systems include major merchant semiconductor manufacturers. Sales to one such customer represented 11% and 16% of the Company's net sales in fiscal 1994 and 1993, respectively Sales to another such customer represented 20% of net sales in fiscal 1995 and 11% of net sales in each of fiscal 1994 and 1993. In addition, customers for the Company's equipment include firms that perform contract assembly of semiconductors, and electronic systems suppliers that assemble semiconductors for use in their own products and for sales to other companies. Sales to one such customer accounted for approximately 16% and 14% of the Company's net sales in fiscal 1995 and 1994, respectively. Sales to another such customer accounted for 11% of net sales in fiscal 1993.

Net exchange and transaction gains (losses) were ($281), $267 and $138 for the years ended September 30, 1995, 1994 and 1993, respectively.

NOTE 12: CONTINGENCIES

Certain of the Company's customers have received notices of infringement from two separate parties, each alleging that equipment supplied by the Company, and processes performed by such equipment, infringe on patents held by them. The Company's product warranties generally provide customers with indemnification for damages sustained by a customer as a consequence of patent infringement claims arising out of use of the Company's products and obligate the Company to defend such claims. As a consequence, the Company could be required to reimburse its customers for certain damages resulting from these matters and to defend customers in patent infringement suits. As of the date of these financial statements, no actions have been initiated or threatened directly against the Company in connection with these matters, although certain customers have requested that the Company defend and indemnify them against any damages that they may be required to pay on the basis of their use of equipment supplied by the Company and two of the Company's customers have actually been sued. The Company believes, based in part on opinions from the Company's outside patent counsel, that no equipment marketed by the Company, and no process performed by such equipment, infringe on the patents in question.

In addition, In August 1995, a third-party complaint was filed against the Company with respect to the clean up of alleged contaminated soil and ground water beneath a facility located in Fort Washington, Pennsylvania, which the Company partially occupied from 1962 to 1972. On the basis of the complaint and information currently available to it, the Company is unable to quantify the potential financial impact of this matter, but believes the allegations set forth in the complaint are without merit and intends to vigorously defend itself in this matter.

The Company does not believe that the ultimate resolution of the matters described above will have a material adverse effect on its financial condition, operating results or liquidity.

NOTE 13: SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Financial information pertaining to quarterly results of operations follows:

Year ended September 30, 1995:	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Net sales	$51,459	$64,785	$87,296	$100,969	$304,509
Gross profit	$22,045	$29,157	$39,840	$ 46,010	$137,052
Income from operations *	$ 5,230	$10,943	$18,371	$ 20,896	$ 55,440
Income before income taxes	$ 5,033	$10,720	$18,464	$ 21,396	$ 55,613
Income tax expense	1,309	2,466	4,431	4,585	12,791
Net income	$ 3,724	$ 8,254	$14,033	$ 16,811	$ 42,822
Net income per share	$ 0.21	$ 0.44	$ 0.72	$ 0.85	$ 2.22

Year ended September 30, 1994:	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Net sales	$38,259	$43,766	$40,838	$ 50,439	$173,302
Gross profit	$16,471	$18,331	$15,861	$ 21,305	$ 71,968
Income from operations *	$ 2,954	$ 4,185	$ 1,683	$ 5,108	$ 13,930
Income before income taxes	$ 2,714	$ 3,943	$ 1,452	$ 4,914	$ 13,023
Income tax expense	407	749	305	1,144	2,605
Net income	$ 2,307	$ 3,194	$ 1,147	$ 3,770	$ 10,418
Net income per share	$ 0.14	$0.19	$0.07	$0.23	$0.63

* Represents net sales less costs and expenses but before net interest expense and other expense.

NOTE 14: SUBSEQUENT EVENT (UNAUDITED)

Effective December 31, 1995, the benefits under the Company's pension plan were frozen. As a consequence, accrued benefits will no longer change as a result of an employee's length of service or compensation. In addition, commencing January 1, 1996, the Company will increase the employer's matching contribution percentage to the 401(k) Employee Incentive Savings Plan to varying rates, depending on employee age and years of service, ranging from 30% to 175% of the employees' contributions.

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

On March 30, 1995, the Company dismissed Luboshitz, Kasierer & Co., certifying accountant for the Company's wholly-owned subsidiary, Kulicke and Soffa Industries (Israel) Ltd. ("KSL"). On the same date, the Company appointed Price Waterhouse LLP's Israeli affiliate, Somekh Chaikin, as the certifying accountant for KSL. This change in certifying accountants was made solely in order to consolidate all audit and tax services with one worldwide accounting firm. This event was reported as Item 4 on a Form 8-K dated March 30, 1995, and filed with the Securities and Exchange Commission on April 5, 1995.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information required hereunder with respect to the directors appears under the heading "ELECTION OF DIRECTORS" in the Company's Proxy Statement for the 1996 Annual Meeting, which information is incorporated herein by reference.

The information required by Item 401(b) of Regulation S-K appears in Part I hereof under the heading "Executive Officers of the Company."

ITEM 11. EXECUTIVE COMPENSATION

The information required hereunder appears under the heading "ADDITIONAL INFORMATION" in the Company's Proxy Statement for the 1996 Annual Meeting, which information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required hereunder appears on page one and under the heading "ELECTION OF DIRECTORS" in the Company's Proxy Statement for the 1996 Annual Meeting, which information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required hereunder appears under the heading "ADDITIONAL INFORMATION" in the Company's Proxy Statement for the 1996 Annual Meeting, which information is incorporated herein by reference.

PART IV

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

(a) The following documents are filed as part of this report:

(1) Financial Statements:

Report of Independent Accountants	F-1
Report of Other Independent Accountants	F-2
Consolidated Balance Sheet at September 30, 1995 and 1994	F-3
Consolidated Income Statement for the fiscal years ended September 30, 1995, 1994 and 1993	F-4
Consolidated Statement of Cash Flows for the fiscal years ended September 30, 1995, 1994 and 1993	F-5
Consolidated Statement of Changes in Shareholders' Equity for the fiscal years ended September 30, 1995, 1994 and 1993	F-6
Notes to Consolidated Financial Statements	F-7 to F-19

(2) Financial Statement Schedules:

Report of Other Independent Accountants	24
VIII - Valuation and Qualifying Accounts	25

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

(3) Exhibits:

Exhibit Number	Item
3(i)	The Company's Restated Articles of Incorporation, filed as Exhibit 2.1 to the Company's Form 8-A12G dated September 8, 1995, is incorporated herein by reference.
3(ii)	The Company's By-Laws, as amended through June 26, 1990, filed as Exhibit 2.2 to the Company's Form 8-A12G dated September 8, 1995, is incorporated herein by reference.
10(i)	Form of Officer's Loan Agreement, Note and Stock Pledge Agreement, filed as Exhibit 13(a) to Registration Statement No. 65612 filed September 28, 1979, is incorporated herein by reference.
10(ii)	Form of Termination of Employment Agreement between the Company and certain of its officers, filed as Exhibit 10(ii) to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1994, is incorporated herein by reference.*
10(iii)	Agreement between the Company and Frederick W. Kulicke, Jr., filed as Exhibit 10(iii) to Company's Annual Report on Form 10-K for the year ended September 30, 1989, is incorporated herein by reference.*
10(iv)	The Company's 1980 Employee Incentive Stock Option Plan, filed as Exhibit 10(iv) to the Company's Annual Report on Form 10-K for the year

ended September 30, 1989, is incorporated herein by reference.*

10(v) The Company's 1983 Employee Incentive Stock Option Plan, filed as Exhibit 10(v) to the Company's Annual Report on Form 10-K for the year ended September 30, 1989, is incorporated herein by reference.*

10(vi) The Company's 1988 Incentive and Non-Qualified Employee Stock Option Plan, filed as Exhibit 10(xi) to the

Company's Annual Report on Form 10-K for the year ended September 30, 1988, is incorporated herein by reference.*

10(vii) The Company's 1988 Non-Qualified Stock Option Plan for Non-Officer Directors, as amended, filed as Exhibit 10(vii) to the Company's Annual Report on Form 10-K for the year ended September 30, 1989, is incorporated herein by reference.*

10(viii) The Company's 1994 Employee Stock Option Plan, filed as Exhibit 10(viii) to the Company's Annual Report on Form 10-K for the year ended September 30, 1994, is incorporated by reference.*

10(ix) The Company's 1995 Executive Incentive Compensation Plan, filed as Exhibit 10(ix) to the Company's Annual Report on Form 10-K for the year ended September 30, 1994, is incorporated by reference.*

10(x) Restated Loan Agreement between the Company and Midlantic Bank, N.A. dated September 14, 1995, filed as Exhibit 10.1 to the Company's Form 8-K dated September 14, 1994, is incorporated by reference.

10(xi) Letter agreement between the Company and Midlantic Bank N.A. dated November 27, 1995.

10(xii) Gold Supply Agreement, as amended October 2, 1995 between American Fine Wire Corporation, et al, and Rothschild Australia Limited, filed as Exhibit 10.1 to the Company's From 8-K dated September 14, 1995 as amended by Form 8-K/A on October 26, 1995, is incorporated by reference.

10(xiii) Agreement of Employment between Circle "S" Industries, Inc and Larry D. Striplin, Jr. dated January 2, 1990.*

10(xiv) Amendment No. 1 to Agreement of Employment between Circle "S" Industries, Inc. and Larry D. Striplin, Jr dated May 1, 1995.*

10(xv) Agreement between Circle "S" Industries, Inc. and Larry D. Striplin, Jr. dated September 30, 1995.*

10(xvi) Form of Employment Agreement between Circle "S" Industries, Inc. and R. Kelly Payne dated October 2, 1995.*

21 Subsidiaries of the Company.

23(i) Consent of Price Waterhouse LLP (Independent Accountants).

23(ii) Consent of Luboshitz, Kasierer & Co. (Independent Accountants).

27 Financial Data Schedule.

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* Indicates a management contract or compensatory plan.

(b) Reports on Form 8-K

A Form 8-K was filed on September 14, 1995 reporting the signing of the AFW Acquisition agreements.

REPORT OF INDEPENDENT ACCOUNTANTS

Our audits of the consolidated financial statements of Kulicke and Soffa (Israel) Ltd. and its subsidiary referred to in our report dated November 3, 1994 appearing on Page F-2 of this Annual Report on Form 10-K also included an audit of Financial Statement Schedules of Kulicke and Soffa (Israel) Ltd. and its subsidiary (not presented separately herein). In our opinion, these Financial Statement Schedules of Kulicke and Soffa (Israel) Ltd. and its subsidiary present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ LUBOSHITZ, KASIERER & CO.

Certified Public Accountants (Israel)
Haifa, Israel

November 3, 1994

(9393-24)

KULICKE AND SOFFA INDUSTRIES, INC.
Schedule VIII-Valuation and Qualifying Accounts
(in thousands)

Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts-describe	Deductions-describe	Balance at end of Period
Year ended September 30, 1993:					
Allowance for doubtful accounts	$ 345	$ 175	$ --	$ 44(1)	$ 476
Inventory reserve	$7,963	$1,011	$ 42	$2,798(3)	$6,218
Year ended September 30, 1994:					
Allowance for doubtful accounts	$ 476	$ 103	$ --	$ 157(1)	$ 422
Inventory reserve	$6,218	$2,092(2)	$ --	$1,674(3)	$6,636
Valuation allowance for deferred taxes	$4,956	$ --	$ --	$1,102(4)	$3,854
Year ended September 30, 1995:					
Allowance for doubtful accounts	$ 422	$ 826	$ --	$ 154(1)	$1,094
Inventory reserve	$6,636	$3,075(5)	$ --	$1,958(3)	$7,753
Valuation allowance for deferred taxes	$3,854	$ --	$ --	$3,247(4)	$ 607

(1) Bad debts written off.
(2) Amount includes $677 provision for excess and obsolete inventory. The remainder primarily reflects revaluation of inventory pursuant to changed standard costs.
(3) Disposal of excess and obsolete equipment and sales of demonstration and evaluation inventory.
(4) Net change in valuation allowance for deferred tax assets during fiscal 1994 and 1995.
(5) Amount includes $2,758 provision for excess and obsolete inventory. The remainder primarily reflects revaluation of inventory pursuant to changed standard costs.

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.

KULICKE and SOFFA INDUSTRIES, INC.

By: /s/ C. Scott Kulicke
C. Scott Kulicke
Chairman of the Board and
Chief Executive Officer

Dated: December 21, 1995

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this Report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ C. Scott Kulicke C. Scott Kulicke (Principal Executive Officer)	Chairman of the Board and Director	December 21, 1995
/s/ Clifford G. Sprague Clifford G. Sprague (Principal Financial and Accounting Officer)	Senior Vice President and Chief Financial Officer	December 21, 1995
/s/ James W. Bagley James W. Bagley	Director	December 21, 1995
/s/ Frederick W. Kulicke, Jr. Frederick W. Kulicke, Jr.	Director	December 21, 1995
/s/ John A. O'Steen John A. O'Steen	Director	December21, 1995
/s/ Allison F. Page Allison F. Page	Director	December 21, 1995
/s/ MacDonell Roehm, Jr. MacDonell Roehm, Jr.	Director	December 21, 1995
/s/ Larry D. Striplin, Jr. Larry D. Striplin, Jr.	Director	December 21, 1995
/s/ C. William Zadel C. William Zadel	Director	December 21, 1995

NOTICE

Item 14(a)3 lists and describes the Exhibits filed as a part of the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1995. The Company will provide to any shareholder copies of any such Exhibits upon payment of a fee of $.50 per page. Requests for copies of such Exhibits should be made to: Director of Corporate Communications, Kulicke and Soffa Industries, Inc., 2101 Blair Mill Road, Willow Grove, PA 19090.

EXHIBIT 10(xi)

Midlantic Bank, N.A.
Commercial Lending
1500 Market Street
Philadelphia, Pennsylvania 19102
215 564-7450 Tel. 215 564-7421 Fax

November 27, 1995

Kulicke and Soffa Industries, Inc.
2101 Blair Mill Road
Willow Grove, Pa. 19090

Attention: Clifford G. Sprague, Senior Vice President and Chief Financial Officer

RE: Restated Loan Agreement dated as of September 14, 1995

Dear Mr. Sprague:

Reference is made to the Restated Loan Agreement dated as of September 14, 1995 between Kulicke and Soffa Industries, Inc. and Midlantic Bank, N.A. (the "Loan Agreement"). You have requested that Midlantic Bank, N.A. agree that the Bridge Period, as defined in the Loan Agreement, be extended.

Please take this as the Bank's agreement that the Bridge Period be extended through March 29, 1996. The period of time from the Advance Date (as defined in the Loan Agreement) through March 29, 1996 shall constitute the "Bridge Period" for all purposes of the Loan Agreement.

Kindly evidence your agreement by signing below.

Sincerely,

MIDLANTIC BANK, N.A.

By: /s/ Ronald H. Vicari

Ronald H. Vicari
Senior Vice President

The undersigned agrees to the foregoing:

KULICKE AND SOFFA INDUSTRIES, INC.

BY: /s/ Clifford G. Sprague

ATTEST: /s/ Nancy J. Sleutaris

EXHIBIT 10(xiii)

AGREEMENT OF EMPLOYMENT

THIS AGREEMENT is executed as of the 2nd day of January 1990 by and between Circle "S" Industries, Inc., a corporation organized and existing under the laws of the State of Alabama (hereinafter referred to as the "Corporation"), and LARRY D. STRIPLIN, JR., an individual residing in the State of Alabama (hereinafter referred to as the "Employee").

W I T N E S S E T H:

WHEREAS, the Corporation and the Employee desire to enter into an agreement relating to the employment of the Employee by the Corporation;

NOW, THEREFORE, the parties hereby agree as follows:

1. EMPLOYMENT. On the terms and subject to the conditions hereinafter set forth, the Corporation hereby employs the Employee as the Chairman of the Board and the Employee hereby accepts employment by the Corporation upon the terms and conditions hereinafter set forth.

2. EFFECTIVE DATE. The effective date (the "Effective Date") of this Agreement shall be January 1, 1990.

3. TERM. Unless earlier terminated pursuant to the previsions of Section 8 hereof, this Agreement shall endure for the term of one (1) year, which term shall hereafter automatically renew for successive one-year terms.

4. DUTIES. The Employee shall devote the Employee's full time and best efforts to the advancement of the interests of the Corporation and shall perform all such duties as are incident to his position as Chairman of the Board of the Corporation and shall further follow the directions and perform such additional duties to may be directed or prescribed from time to time by the Board of Directors of the Corporation.

5. COMPENSATION. Except as otherwise set forth in this Agreement, as the Employee's entire compensation for all services rendered to the Corporation during the term of this Agreement, in whatever capacity rendered, the Employee shall be paid by the Corporation, subject to withholding and other applicable employment taxes:

(a) A base salary of $150,000 per year, payable in bi-monthly installments in arrears, and subject to such salary increases as may be granted by the Board of Directors in its sole discretion;

(b) An actual bonus equal to one half (1/2) of ten percent (10%) of the pre-tax profits in excess of $1,000,000, as are earned by the Corporation for the preceding calendar year. Pre-tax profits shall be defined as net earnings before income taxes and extraordinary items for financial reporting purposes that would be reflected on an income statement of the Corporation prepared with respect to a particular year in accordance with generally accepted accounting principles, consistently applied. This annual bonus shall be paid within ninety (90) days following the end of each calendar year during which the Employee is employed by the Company, and shall paid in full only, with respect to years

during which the Employee was continuously employed by the Corporation for the entire calendar year, provided however, that should the employment of the Employee hereunder terminate prior to calendar year end, the Employee shall be paid a ratable portion of such annual bonus as shall determined by the Board of Directors in good faith.

6. EXTENDED COMPENSATION. In the event that there occurs a sale of substantially all the assets of the Company or a sale of a sufficient amount of stock in the Company, whether by tender offer, original issuance, or a single or series of related stock purchaser and sale agreements and/or transactions sufficient to confer on the purchaser or purchasers thereof (whether individually or in a group) the ability to elect a majority of the Board of Directors of the Company, the Company shall be obligated to pay to the Employee the sum of $200,000.00 per year, such sum to be paid in annual installments in arrears (the "Extended Compensation") for a period not to exceed the earlier of five (5) years or the life of the Employee, the first installment to be paid on the date which is one year after the occurrences of the event giving rise to the payment; provided however, that such Extended Compensation shall be paid in lien of, and not in addition to, any compensation paid pursuant to Section 5 hereof. No payment of Extended Compensation shall be made without first obtaining the affirmative vote of at least seventy-five percent (75%) of the shareholders of the Company (which calculation shall be made without regard to any shares held by Employees) immediately prior to the change in control of the Company as described above; such vote shall determine the right of the Employee to receive the Extended Compensation, on the condition that full disclosure be made of all material costs concerning all payments to be made pursuant to this Section 6. Notwithstanding the provisions of Section 9 hereof, the obligation of the Company to make

payments of Extended Compensation shall terminate only upon the death of the Employee or the expiration of the five (5) year term.

7. VACATION. In each calendar year during the term of this Agreement, the Employee shall be entitled to a maximum of two (2) weeks of vacation, or such other amount of vacation as shall from time to time be authorized by the Board of Directors. Such vacation shall be taken at such time or times as shall be approved by the Board of Directors. Vacation time which remains unused at the end of any calendar year or at the termination or expiration of this Agreement shall be forfeited, and the Employee shall be entitles to no compensation on account thereof. The Employee shall be paid his entire compensation during the time he takes such vacation.

8. BENEFITS. The Employee shall be entitled to participate in any employee benefits customarily provided by the Corporation to other employee in comparable positions.

9. TERMINATION OF EMPLOYMENT. This Agreement, and the Employee's employment hereunder, shall be terminated upon the happening of any of the following event:

(a) The death of the Employee;

(b) The delivery of written notice of termination of this Agreement by the Employee or the Corporation to the other party, such notice and termination to be effective sixty (60) days after the delivery thereof;

(c) The disability or incapacity of the Employee. For purposes of this Agreement, the term "disability" or incapacity" shall mean the Employee's inability, by reason of physical or mental illness, or other cause, to perform the Employee's usual duties, which disability or incapacity continues for an unbroken period of sixty (60) days or more. The date of termination of this Agreement due to disability or incapacity of the Employee shall be the sixty-first day after commencement of the Employee's disability or incapacity.

10. DETERMINATION OF DISABILITY OF INCAPACITY. For the purposes of this Agreement, if there is any disagreement between the Corporation and the Employee as to the disability or incapacity of the Employee or as to the effective date of disability or incapacity, the same shall be determined after as examination of the Employee by a physician to selected by majority vote of the Board of Directors of the Corporation. The Employee agrees to be available for such an examination at any reasonable time. The determination of such physician selected by the Corporation shall be conclusive evidence of disability or incapacity of the Employee and of the date such disability or incapacity began provided, however, that the determination must be made in good faith and must be based upon reasonable and professional medical standards. If the Employee does not cooperate in the examination by much physician selected by the Corporation, then, for such disability or incapacity began shall be made by the Corporation in its sole discretion.

11. CONFIDENTIAL INFORMATION. During the course of his employment, certain confidential information will be imparted to the Employee by the Corporation or by customers of the Corporation. In addition, the Employee may develop, on behalf of the Corporation, certain confidential information. For purposes of Sections 11, 12 and 13 hereof, "Corporation" shall mean not only Circle "S" Industries, Inc, but each and every subsidiary, branch and other related corporation of Circle "S" Industries, Inc. Except as

provided below, "confidential information" consists of any all of the following information: (1) information pertaining to the Fine Wire Business (as hereinafter defined); (2) the identity of the Corporation's customers and if business and other prospective customers that the Corporation has contacted or that have the Corporation in an effort to discuss this possibility of such business or prospective customer becoming a customer of the Corporation or having a business relationship with the Corporation; (3) the Corporation's rates, marketing strategies, pricing methods and policies; and (4) information considered trade secrets, know-how, or proprietary information of the Corporation, including but not limited to, all process, technique and formulas developed by or an behalf of the Corporation for refining, alloying, easing and annulling used to make fine wire including any such process jointly developed by the Corporation and its customers or consultants. Confidential information does not include information which (1) can be shown by the Employee to have been in his possession before he began working for the Corporation or (2) at the time of disclosure is, or thereafter becomes, through no fault of the Employee, known as the general public. During the course of the Employee's employment, and at all times thereafter, the Employee shall safeguard and maintain the confidentiality of all such confidential information known to him, shall not use such information for his own personal gain or business ventures and shall not furnish or disclose any confidential information or any materials embodying such confidential information to any third party for his own purpose or for any purpose whatever without express written authorization from the Corporation.

12. PROPRIETARY MATERIALS. From time to time, the Corporation shall furnish to the Employee material embodying confidential information to be used by the Employee in the performance of the duties of his employment. In addition, the Employee

may develop such material for the Corporation or its client. Upon the termination of his employment with the Corporation, the Employee agrees to return to the Corporation all such material including and along with all material furnished by or about any customer, or potential customer of the Corporation that pertains to the customer or potential customer, all memoranda, studies and correspondence received or generated by the Employee in the course of his employment, and all papers and files maintained, seemed or developed in the course of his employment. The Employees hereby assigns to the Corporation all rights the Employee may have in and to any all proprietary information or invention developed by the Employee during the course of his employment hereunder provided that such information or inventions are related to the business of the Corporation.

13. COVENANT NOT TO COMPETE (a) The Corporation is, or in the future may be, engaged in the business of developing producing, and marketing fine wire and related products used or useful in the semi-conductor industry (the Fine Wire Business"). The employee may have access to all the Corporation's records, will have direct dealings with customers of the Corporation, may engage in sales solicitations and be directly responsible for maintaining and fostering in sales customer relationships by, among other things, advising customers, responding to customer inquiries and supervising other employees' dealings with customers. The Employee further acknowledges and agrees that he will be intimately involved in and familiar with the Corporation's methods and costs of doing business, pricing, product and concept development, and strategic planning all of which encompass valuable propriety and confidential information or trade assets developed by and for the Corporation. In order to protect the Corporation's investment in the foregoing matters and the Corporation's goodwill, and in consideration of the Corporation's employment of the Employee hereunder, the Employee agrees that as long as the Employee

remains employed by the Corporation and for five (5) years after the Employee's termination of employment for whatever reason, the Employee agrees not to engage in any manner in the Fine Wire Business or in any business that is competitive with the Fine Wire Business, directly or indirectly, either on his own account or while employed by or associated with another corporation, partnership, individual; or other entity, or while acting as an independent contractor or consultant to or for any corporation, partnership, individual other entity. In the event the Employee breaches this covenant for any period of time, the covenant will not expire five (5) year after termination of his employment, but shall be extended for the same period of time that he was in breach. The Employee acknowledges and agrees that this covenant not to compete is a reasonable protection of the Corporation's interests and that the Employee enters into this covenant willingly in order to secure the benefits of this Agreement, and intends to be legally bound hereby. The provisions of this Section 13 shall be restricted to those countries, including the United States, the Corporation sells its products or otherwise countries its business.

(b) For a one year period immediately following termination of Employee's employment with the Corporation for any reason. Employee shall not induce any person to leave the employ of the Company or employ any person during the proceeding twelve months was an employee of the Corporation.

(c) If any of the foregoing provisions relating to the duration, business or geographic scope of this covenant shall be held to be more restrictive than permitted by the law of the jurisdiction in which the Corporation seeks enforcement thereof by the final determination of a court of competent jurisdiction, and all appeals therefrom shall have failed or the time for such appeals shall have expired, such provision, and only such provision, shall be limited to the extent permitted by law.

(d) It is agreed that it would be impossible to fully compensate the Corporation for damages for breach of the obligations of the Employee hereunder. Accordingly, the Employee and the Corporation specifically agree that the Corporation and any of its affiliates or successor shall be entitled, in addition to and not in lieu of any other remedies available at law or in equity, to enforces such obligation by mean of specific performance or injunctive relief and that such relief may be granted without the security of providing actual damages.

14. BENEFIT. This Agreement shall bind all parties, their respective heirs, executors, administrators, successors and assigns, but nothing contained herein shall be construed as an authorization or right of any party to assign its rights of obligations hereunder.

15. WAIVER OF BREACH OR VIOLATION NOT DEEMED CONTINUING. The waiver by either party of a breech or violation of any provision of this Agreement shall not operate as or be construed to ba a waiver of any subsequent breech hereof.

16. NOTICES. The delivery of any statement or the giving of any notice provided for or required herein shall be in writing and may be affected by (i) personal delivery, or (ii) by depositing with the United Satates Postal Services or in any one of its regular depositories the same to the recipient by certified mail, postage prepaid, with returns receipt requested, addressed as follows: in the case of Employee, to _______________________________: or in the case of the Corporation to 907 Ravenwood Drive, Selma Alabama 36701, with copy to Thomas N. Caruthers, Jr. Esq, Bradley, Arant, Rose &

White, 1400 Park Place Tower, Birmingham, Alabama 35203. The Corporation and the Employee agree to give the other notice of my required change in the foregoing addresses.

17. AUTHORITY. The provisions of this Agreement required to be approved by the Board of Directors of the Corporation have been approved and authorized.

18. GOVERNING LAW. It is the intention of the parties hereto that this Agreement and the performance hereunder and all suits and special proceedings hereunder be construed in accordance with and under and pursuant to the laws of the State of Alabama and that in any action, special proceeding or other proceeding that may be brought arising out of, in connection with, or by reason of this Agreement, the laws of the State of Alabama shall be applicable and shall govern to the seclusion of the law of any other forum, including, without limitation, principles governing condition of laws.

19. PARAGRAPH HEADINGS. The paragraph headings contained in this Agreement, are for conveniences only and shall in no manner be construed as part of this Agreement.

20. GENDER. The use of the masculine gender shall include the feminine gender and the singular the plural, and vice versa.

21. ENTIRE AGREEMENT. This instrument contains the entire agreement of the parties and may not be changed except by an agreement in writing signed by the party against whom the enforcement of any waiver, change, extension, modification or discharge is sought.

22. ASSIGNMENT. This Agreement may not be assigned without the prior written consent of the parties hereto, except that the Corporation may assign this Agreement:(i) to any affiliate of the Corporation, or (ii) upon the Employer's prior written consent, which consent shall not be unreasonably withheld, to any assignee, license or purchaser of the Corporation or any of its affiliates.

23. SEVERABILITY. Each provision of this Agreement is intended to be severable from the others so that if any provisions or term hereof is determined to illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the legality or validity of the remaining provisions and terms hereof, and this Agreement shall be deemed to be enforceable to the maximum extent permitted by law.

24. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, and all of which together shall continue one and the same instrument.

IN WITNESS WHEREOF, the Corporation has caused this Agreement to be executed by its authorized officer, and the Employee has hereunto all Employee's hand, effective as of the Effective Date.

CIRCLE "S" INDUSTRIES, INC.

By /s/ William B. Reed

Its President

ATTEST:

By [Signature Not Legible]

Its [Signature Not Legible]

/s/ Larry D. Striplin, Jr.

Larry D. Striplin, Jr.

WITNESS:

[Signature Not Legible]

EXHIBIT 10 (XIV)

AMENDMENT NO. 1

AGREEMENT OF EMPLOYMENT

This Amendment No. 1 ("Amendment No. 1") is made to that certain Agreement of Employment (hereinafter referred to as the "Agreement"), dated as of January 2, 1990, between Circle "S" Industries, Inc., a corporation organized and existing under the laws of the State of Alabama (hereinafter referred to as the "Corporation") and Larry D. Striplin Jr., an individual residing in the State of Alabama (hereinafter referred to as the "Employee"), and is effective as of the 1st day of May, 1995, by and between the Corporation and Employee.

RECITALS:

The Corporation and Employee desire to amend the Agreement relating to the employment of the Employee by the Corporation.

NOW, THEREFORE, the parties hereby agree as follows:

1. Paragraph 6 of the Agreement shall be amended as follows:

   i) Line 8 shall be amended to delete the following words: "not to exceed the earlier"; and

   ii) Line 9 shall be amended to delete the following words: "or the life of the Employee"; and

   iii) Line 12 shall be amended by deleting the word "paid" and substituting the word "payable" in lieu thereof; and

   iv) Line 20 shall be amended to delete the following words: "the death of the Employee or";

so that Paragraph 6 of the Agreement now reads as follows:

6. EXTENDED COMPENSATION. In the event that there occurs a sale of substantially all the assets of the Company or a sale of a sufficient amount of stock in the Company, whether by tender offer, original issuance, or a single or series of related stock purchase and sale agreements and/or transactions sufficient to confer on the purchaser or purchasers thereof (whether individually or in a group) the ability to elect a majority of the Board

of Directors of the Company, the Company shall be obligated to pay to the Employee the sum of $200,000.00 per year, such sum to be paid in annual installments in arrears (the "Extended Compensation") for a period of five (5) years, the first installment to be paid on the date which is one year after the occurence of the event giving rise to the payment: provided however, that such Extended Compensation shall be paid in lieu of, and not in addition to, any compensation payable pursuant to Section 5 hereof. No payment of Extended Compensation shall be made without first obtaining the affirmative vote of at least seventy-five percent (75%) of the shareholders of the Company (which calculation shall be made without regard to any shares held by Employee) immediately prior to the change in control of the Company as described above; such vote shall determine the right of the Employee to receive the Extended Compensation, on the condition that full disclosure be made of all material facts concerning all payments to be made pursuant to this Section 6. Notwithstanding the provisions of Section 9 hereof, the obligation of the Company to make payments of Extended Compensation shall terminate only upon the expiration of the five (5) year term.

2. All of the other terms and conditions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the Corporation has caused this Amendment to be executed by its duly authorized officer and the Employee has executed this Amendment, effective as of May 1, 1995.

CIRCLE "S" INDUSTRIES, INC.

By____
Charles A. Morello
Treasurer and Chief Financial Officer

____
Larry D. Striplin, Jr.

EXHIBIT 10 (xv)

September 30, 1995

Mr. Larry D. Striplin, Jr.
Chairman
Circle "9" Industries, Inc.
411 regency Crown
1200 Beacon Parkway, East
Birmingham, Alabama

Re: Agreement of Employment dated as of January 2, 1990 between Circle "S" Industries, Inc. (the "Company") and Larry D. Striplin, Jr., as amended by Amendment No. 1, effective as of May 1, 1995 (as amended, the "Agreement")

Dear Larry:

This letter is to confirm our understanding and agreement regarding an amendment to the Agreement (as defined above) that is to become effective immediately prior to the closing (the "Closing") under the Agreement and Plan of Acquisition dated as of September 14, 1995 by and among the Company, Kulicke and Soffa Industries, Inc., Kulicke and Soffa Acquisition Corporation and certain stockholders of the Company (the "Acquisition Agreement").

In compliance with Section 5.2(g) of the Acquisition Agreement, immediately prior to the closing, the Agreement shall be further amended by the addition of a new Section 25 that shall read in its entirety as follows:

"25. Post-Acquisition. Notwithstanding anything to the contrary herein, from and after the closing under the Agreement and Plan of Acquisition dated as of September 14, 1995 (the "Acquisition agreement") by and among the Company, Kulicke and Soffa Industries, Inc. ("K&S"), Kulicke and Soffa Acquisition Corporation and certain stockholders of the Company, (a) Employee shall cease to be an employee of the Company and shall not serve as an officer, director or employee of the Company or any of its affiliates (except as

contemplated in Section 6.5 of the Acquisition Agreement or as may otherwise expressly be agreed to in writing by K&S) and (b) neither the Company nor any of its affiliates shall have any further obligation or liability to Employee pursuant to this Agreement (including, without limitation, with respect to compensation, benefits and vacation) other than provided in Section 6 hereof regarding annual payments of $200,000. Employee acknowledges that this Agreement and the Acquisition Agreement contain provisions regarding confidentiality and non-competition which may, in certain respects, differ in scope. Nevertheless, the Company (and K&S) shall be entitled to enforce these provisions independently; neither of these provisions shall in any way be read or construed to limit the scope of the other."

The Agreement, as amended hereby, is ratified and confirmed in all respects.

If you are in agreement with the foregoing, please execute the enclosed copy of this letter, whereupon we shall be mutually legally bound under the Alabama law.

Very truly yours,

CIRCLE "S" INDUSTRIES, INC.

By: /s/ Charles A. Morello

Charles A. Morello
Treasurer and Chief Financial
  Officer

ACKNOWLEDGED AND AGREED:

/s/ Larry D. Striplin, Jr.
- --------------------------
Larry D. Striplin, Jr.

Dated: September 30, 1995

Exhibit 10(xvi)

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT dated as of October 2, 1995, between American Fine Wire, Ltd., a Cayman Islands corporation ("Company"), and R. Kelly Payne ("Employee").

BACKGROUND

Pursuant to an Agreement and Plan of Acquisition, dated as of September 14, 1995 (the "Acquisition Agreement"), among Kulicke and Soffa Industries, Inc., a Pennsylvania corporation with its principal offices in Willow Grove, Pennsylvania ("K&S"), Kulicke & Soffa Acquisition Corporation, Circle "S" Industries, Inc. ("CSI") and certain shareholders of CSI, K&S is acquiring American Fine Wire Corporation ("AFW") and its subsidiaries (including the Company) through the acquisition of AFW's parent corporation, CSI.

Employee owns a significant portion of the outstanding capital stock of CSI, has been substantially involved in operation and management of the business conducted by AFW and its subsidiaries (the "AFW Business") and possesses trade secrets and other confidential information relating to AFW, it subsidiaries and the AFW Business. An important factor in K&S's decision to acquire CSI, AFW and its subsidiaries has been and is the assurance of the availability of the continued services of Employee and of Employee's willingness to enter into the confidentiality, non-competition and other covenants as set forth herein. As an inducement to K&S to consummate such acquisition, with all of the attendant financial benefits to Employee as a shareholder of CSI, Employee is entering into this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein, the parties hereto, intending to be legally bound hereby, agree as follows:

SECTION 1. CAPACITY AND DUTIES

1.1 EMPLOYMENT; ACCEPTANCE OF EMPLOYMENT. Company hereby employs Employee, and Employee hereby accepts employment by Company, for the period and upon the terms and conditions hereinafter set forth.

1.2 CAPACITY AND DUTIES.

(a) Employee shall be employed by Company in an executive capacity and shall have such authority, duties and responsibilities as may be assigned to him from time to time by the Board of Directors of Company or its designee. If so requested by the Board of Directors of K&S or its designee, Employee also shall serve, without additional compensation, as an officer and/or director of any of Company's Affiliates, as defined below. Throughout the term of his employment hereunder, Employee shall devote his entire working time, energy, skill and best efforts to the performance of his duties hereunder in a manner which will faithfully and diligently further the business and interests of Company and its Affiliates; and Employee shall not be employed by, render advisory or other services to or directly or indirectly participate in the management or operation of, any business enterprise other than Company and its Affiliates without the prior written consent of the Board of Directors of Company or its designee, which consent such Board or designee, may grant or withhold in its sole discretion. Company hereby expressly consents to Employee's continuing to serve with PLT Technologies, Inc. and Shanghai PL Technologies and Equipment in the manner and in the business described in Schedule 1.2(a) hereto.

(b) Employee initially shall perform his duties for Company principally from Company's offices located in Singapore, subject to periodic travel that may be necessary or appropriate in connection with the performance of Employee's duties hereunder and subject to possible relocation. Employee's relocation shall be in the discretion of the Company, provided, however, that if Company relocates Employee anywhere outside of Singapore other than to the United States' headquarters of K&S, Employee may terminate his employment hereunder within 30 days following his receipt of notice of such relocation, and such termination shall be deemed to have been a termination without "Cause" pursuant to Section 4.1(d) hereof for the purposes of Section 4.2(c) hereof.

(c) For purposes of this Agreement, "Affiliate" means K&S and any person or entity which is a direct or indirect subsidiary of, controlled by, or under common control with K&S.

SECTION 2. TERM OF EMPLOYMENT

2.1 TERM. The term of Employee's employment hereunder shall commence on the date hereof and shall continue until terminated as provided in Section 4.1 hereof.

SECTION 3. COMPENSATION AND BENEFITS

3.1 BASIC COMPENSATION.

As compensation for Employee's services hereunder, Company shall pay to Employee a salary ("Base Salary") (i) from the date hereof through December 31, 1995, at the annual rate of 262,500 Singapore Dollars and (ii) after December 31, 1995, at an annual rate of 350,000 Singapore Dollars, payable in periodic installments in accordance with Company's regular payroll practices in effect from time to time. Future increases, if any, in Base Salary shall be at the discretion of the Board of Directors of Company.

3.2 INCENTIVE COMPENSATION.

(a) Company shall pay Employee as incentive compensation in respect of calendar year 1995 an amount equal to the lesser of (i) 5% of the pre-tax, pre-management service charge earnings of AFW for such calendar year on a consolidated basis and, (ii) 262,500 Singapore Dollars. Such incentive compensation shall be paid by Company in one installment promptly following final determination of such pre-tax earnings.

(b) Commencing January 1, 1996, Employee's incentive compensation shall be based upon a K&S style incentive arrangement providing for a target incentive award of 350,000 Singapore Dollars (assuming a full October 1 through September 30 fiscal year) based upon various performance indices to be taken from the AFW operating plan to be mutually agreed upon by Employee and a person designated by the Board of K&S. The actual amount of the incentive compensation shall be subject to increase or decrease from said target amount in the event of over attainment or under attainment, respectively, with respect to such indices. Employee's incentive compensation under this subsection (b) for the 1996 fiscal year shall be prorated to reflect the fact that his participation therein did not commence until January 1, 1996 (three months into the 1996 fiscal year).

3.3 EMPLOYEE BENEFITS. In addition to the compen sation provided for in Sections 3.1 and 3.2 hereof, Employee shall be entitled during the term of his employment hereunder to the benefits set forth on Schedule 3.3 hereto, and to participate in such other employee benefit plans and programs of Company and any of its Affiliates of which he may be an employee as may from time to time be provided for other executive employees of Company or such Affiliate whose duties, responsibilities, and compensation are reasonably comparable to those of Employee, subject to Employee's meeting the eligibility requirements of such benefit plans and programs; provided, however, that it is not the intent of the parties that Employee shall be entitled to any duplication of benefits under any such plans or programs.

(The benefits to which Employee is entitled under this Section 3.3 are herein referred to collectively as "Benefits.")

3.4 EXPENSE REIMBURSEMENT. Company shall reimburse Employee for all reasonable expenses incurred by him in connection with the performance of his duties hereunder in accordance with Company's regular reimbursement policies as in effect from time to time and upon receipt of itemized vouchers therefor and such other supporting information as Company may reasonably require.

SECTION 4. TERMINATION OF EMPLOYMENT

4.1 TERMINATION OF EMPLOYMENT. Employee's employment hereunder shall be subject to termination as follows:

(a) Death. Employee's employment immediately shall terminate in the event of his death.

(b) Disability. If Employee, in the reasonable opinion of the Board of Directors of the Company, is or has been unable, due to his physical, mental or emotional illness or condition to perform his duties hereunder for a period of 90 consecutive days or 180 days within any period of 18 consecutive months, then Company shall have the right to terminate Employee's employment upon written notice to Employee at any time during the continuation of such inability.

(c) Termination for Cause. The Board of Directors of Company may immediately terminate Employee's employment hereunder upon notice to Employee for Cause. As used herein, "Cause" shall mean:

(i) Employee's dishonesty in connection with Employee's employment hereunder;

(ii) Employee's fraud, theft or misappropriation or embezzlement of funds or property of Company or its Affiliates;

(iii) Employee's conviction of or plea of guilty or nolo contendere to, any felony, crime involving fraud or misrepresentation, or of any other crime (whether or not connected with his employment) the effect of which is likely to materially adversely affect Company or its Affiliates;

(iv) material breach by Employee of any of his obligations under this Agreement which has not been cured by Employee within 30 days following notice of such breach to Employee by Company;

(v) Employee's insubordination, gross incompetence or misconduct in the performance of, or gross neglect of, his duties hereunder;

(vi) Employee's illegal possession or use of any controlled substance; or

(vii) Employee's continual abuse of alcohol or other drugs.

(d) Termination without Cause. The Board of Directors of Company, in its sole discretion, may terminate Employee's employment hereunder for any or no reason upon written notice to Employee at any time.

(e) Termination by Employee. Employee may terminate his employment hereunder at any time upon not less than 120 days prior notice to Company, except that Employee shall give Company at least one year's prior notice with respect to termination of his employment prior to September 30, 1997.

(f) Acceleration of Termination by Company. Notwithstanding any other provision of this Agreement, if Employee has given notice of his intention to terminate his employment pursuant to Section 4(e) hereof, Company shall have the right to accelerate the termination of Employee's employment to such earlier date as Company shall determine.

4.2 COMPENSATION AND BENEFITS UPON TERMINATION.

(a) Death or Disability. If Employee's employment is terminated by reason of death or disability pursuant to Section 4.1(a) or (b) hereof, Employee, or his estate, as the case may be, shall be entitled only to receive his Base Salary and Benefits to the extent accrued to the date of termination of employment, plus a lump sum payment equal to six-months Base Salary, but shall not be entitled to any incentive compensation with respect to the fiscal year in which such termination occurs, unless such termination occurs on or after March 1 of such year, in which case Employee or his estate, as the case may be, shall be entitled to receive incentive compensation for that fiscal year, pro-rated to the date of termination of employment, but only if incentive compensation is payable with respect to the fiscal year in which such termination occurs.

(b) For Cause or by Employee. If Employee's employment is terminated by Company for Cause pursuant to Section 4.1(c) hereof or by Employee pursuant to Section 4.1(e) hereof, Employee shall be entitled to receive only his Base Salary and Benefits to the extent accrued to the date of termination of employment, but Employee shall not be entitled to any incentive

compensation with respect to the fiscal year in which such termination occurs except that if Employee has elected to terminate his employment at the end of a fiscal year pursuant to Section 4.1(e) hereof and Company has accelerated such termination pursuant to Section 4.1(f) hereof, Employee shall be entitled to receive incentive compensation for that year, pro rated to the date of termination of employment, but only if incentive compensation is payable with respect to the fiscal year in which such termination occurs.

(c) Without Cause. If Employee's employment is terminated by Company without Cause pursuant to Section 4.1(d) hereof or by Employee pursuant to Section 1.2(b) hereof, Employee shall be entitled to continue to receive his Base Salary, incentive compensation (at the target amount, pro rated for any partial fiscal year) and Benefits (unless otherwise expressly provided on said Schedule 3.3 hereto or by the express terms of a benefit plan or program) for a period of 18 months following the month in which such termination occurs; provided, however, that Employee's entitlement to the compensation and Benefits provided under this Section 4.2(c) shall immediately terminate in the event of Employee's breach of Section 5 hereof.

(d) Sole Entitlement. Except as otherwise expressly mandated by the provision of the applicable benefit plans or programs of Company or its Affiliates in which Employee is a participant or mandated by law, the compensation and benefits provided above in this Section 4.2 shall constitute the exclusive compensation and benefits to which Employee and his beneficiaries shall be entitled in the event of Employee's termination of employment, and Company and its Affiliates shall not have any further obligation to Employee.

SECTION 5. RESTRICTIVE COVENANTS

5.1 CONFIDENTIALITY. By reason of his prior employment relationship with the AFW Business and his future employment hereunder and the access that such employment relationships have given and will give him to confidential information concerning Company and its Affiliates and their businesses, Employee acknowledges a duty of confidentiality owed to Company and/or its Affiliates and shall not, at any time during or after his employment by Company and its Affiliates, retain in writing, use, divulge, furnish, or make accessible to anyone, without the express authorization of the Board of Directors of K&S or its designee, or any trade secret, private or confidential information of Company or any of its Affiliates obtained or acquired by him while so employed (either prior or after the date hereof). (As hereinafter used in Section 5.1 through 5.5 hereof, unless the context clearly indicates

otherwise, the term "Company" shall mean Company and its Affiliates, including, without limitation, CSI, AFW, K & S and their respective direct and indirect subsidiaries). All computer software, address books, rolodexes, business cards, telephone lists, customer lists, price lists, contract forms, catalogs, books, records, and files acquired while an employee of Company, are acknowledged to be the property of Company and shall not be duplicated, removed from Company's possession or made use of other than in pursuit of Company's business and, upon termination of employment for any reason, Employee shall deliver to Company, without further demand, all copies thereof which are then in his possession or under his control.

5.2 INVENTIONS AND IMPROVEMENTS. During the term of his employment, Employee shall promptly communicate to Company all ideas, discoveries and inventions which are or may be useful to Company or its business. Employee acknowledges that all ideas, discoveries, inventions, and improvements which are made, conceived, or reduced to practice by him and every item of knowledge relating to Company's business interests (including potential business interests) gained by him during his employment hereunder (or by Company prior to the date hereof) are the property of Company, and Employee hereby irrevocably assigns all such ideas, discoveries, inventions, improvements, and knowledge to Company for its sole use and benefit, without additional compensation. The provisions of this Section shall apply whether such ideas, discoveries, inventions, improvements or knowledge are conceived, made or gained by him alone or with others, whether during or after usual working hours, whether on or off the job, whether applicable to matters directly or indirectly related to Company's business interests (including potential business interests), and whether or not within the specific realm of his duties. Employee shall, upon request of Company, but at no expense to Employee, at any time during or after his employment with Company, sign all instruments and documents requested by Company and otherwise cooperate with Company to protect its right to such ideas, discoveries, inventions, improvements, and knowledge, including applying for, obtaining, and enforcing patents and copyrights thereon in any and all countries.

5.3 NONCOMPETITION. During the term of Employee's employment and for two years after termination of employment (two and one-half years after a termination of employment contemplated in Section 4.2(c) hereof), Employee shall not directly or indirectly: (i) engage, anywhere in that portion of the world marked on the map attached as Exhibit A hereto, in the manufacture, assembly, design, distribution or marketing of any product or equipment substantially similar to or in competition with any product or equipment which at any time during the term of such employment, or during the twelve month period immediately preceding the date hereof, has been manufactured, sold or distributed by Company or any product or equipment which Company

was developing during either such period for future manufacture, sale or distribution or the provision of any service substantially similar to or in competition with any service offered by Company at any time during either such period or which Company was developing during either such period; (ii) be or become a stockholder, partner, owner, officer, director or employee or agent of, or a consultant to or give financial or other assistance to, any person or entity considering engaging in any such activities or so engaged; (iii) seek in competition with the business of Company to procure orders from or do business with any customer of Company; (iv) solicit, or contact with a view to the engagement or employment by any person or entity of, any person who is an employee of Company; (v) seek to contract with or engage (in such a way as to adversely affect or interfere with the business of Company) any person or entity who has been contracted with or engaged to manufacture, assemble, supply or deliver products, goods, materials or services to Company; or (vi) engage in or participate in any effort or act to induce any of the customers, associates, consultants, or employees of Company or any of its Affiliates to take any action which might be disadvantageous to Company or any of its Affiliates; provided, however, that nothing herein shall prohibit Employee from owning, as a passive investor, in the aggregate not more than 5% of the outstanding publicly traded stock of any corporation so engaged. The duration of Employee's covenants set forth in this Section shall be extended by a period of time equal to the number of days, if any, during which Employee is in violation of the provisions hereof.

5.4 INJUNCTIVE AND OTHER RELIEF.

(a) Employee acknowledges and confirms that the covenants contained herein are fair and reasonable in light of the consideration paid hereunder and in order to protect K&S's investment in the AFW Business and its other legitimate business interests, and that damages alone shall not be an adequate remedy for any breach by Employee of his covenants contained herein. Accordingly, in addition to any other remedies which Company may have, Company shall be entitled to injunctive relief in any court of competent jurisdiction for any breach or threatened breach of any such covenants by Employee. Nothing contained herein or in the Acquisition Agreement shall prevent or delay Company from seeking, in any court of competent jurisdiction, specific performance or other equitable remedies in the event of any breach or intended breach by Employee of any of its obligations hereunder.

(b) Notwithstanding the equitable relief available to Company, Employee, in the event of a breach of his covenants contained in Section 5 hereof, understands that the uncertainties and delay inherent in the legal process would result in a continuing breach for some period of time, and

therefore, continuing injury to Company until and unless Company can obtain such equitable relief. Therefore, in addition to such equitable relief, Company shall be entitled to monetary damages for any such period of breach until the termination of such breach, in an amount deemed reasonable to cover all actual and consequential losses, plus all monies received by Employee as a result of said breach and all costs and attorneys' fees incurred by Company in enforcing this Agreement. If Employee should use or reveal to any other person or entity any confidential information, this will be considered a continuing violation on a daily basis for so long a period of time as such confidential information is made use of by Employee or any such other person or entity.

5.5 CERTAIN RELATED MATTERS.

(a) The covenants of Employee set forth in this Section 5 are in addition to and not in limitation of any other obligations of a similar nature which Employee may have to Company by contract, law or otherwise.

(b) Without limiting Company's choice of an appropriate forum, Employee agrees that Company may institute proceedings for the enforcement of or for breach of this Agreement in any state or federal court located in Pennsylvania, and Employee hereby consents to the jurisdiction of any such court.

(c) Prior to instituting any proceedings for the enforcement of or for breach of this Section 5 and prior to terminating any compensation or benefits as a result of such a breach, Company shall notify Employee of such alleged breach and afford him 30 days in which to remedy such breach. Employee shall not be deemed to have breached this Section 5 if he completely remedies such breach within such 30-day period and has reimbursed Company for any resulting damages.

(d) Each of the covenants set forth in Section 5 shall be construed as independent of any other provision of this Agreement or any other agreement or arrangement between Employee and Company, and the existence of any claim or cause of action by Employee against Company shall not constitute a defense to the enforcement of such covenants against Employee.

SECTION 6. MISCELLANEOUS

6.1 PRIOR EMPLOYMENT. Employee represents and warrants that he is not a party to any other employment, non-competition or other agreement or restriction which could interfere with his employment with Company or its

Affiliates or his or Company's or its Affiliates' rights and obligations

hereunder; and that his acceptance of employment and the performance of his duties hereunder will not breach the provisions of any contract, agreement, or understanding to which he is party or any duty owed by him to any other person.

6.2 SEVERABILITY. The invalidity or unenforceability of any provision or part of any provision of this Agreement shall not affect the other provisions or parts hereof. If any provision hereof is determined to be invalid or unenforceable by a court of competent jurisdiction, Employee shall negotiate in good faith to provide Company and its Affiliates, and Company shall negotiate in good faith to provide Employee, with protection and/or benefits, as the case may be, as nearly equivalent to that found to be invalid or unenforceable. Further, if any such provision shall be so determined to be invalid or unenforceable by reason of the duration or geographical scope of the covenants contained therein, such duration or geographical scope, or both, shall be considered to be reduced to a duration or geographical scope to the extent necessary to cure such invalidity.

6.3 ASSIGNMENT AND BENEFIT. This Agreement shall not be assignable by Employee, and shall be assignable by Company only to any of its Affiliates. Subject to the foregoing, this Agreement and the rights and obligations set forth herein shall inure to the benefit of, and be binding upon, the parties hereto and each of their respective permitted successors, assigns, heirs, executors and administrators. The covenants contained in Section 5 hereof also shall be for the benefit of, and shall be enforceable by Affiliates of Company.

6.4 NOTICES. All notices hereunder shall be in writing and shall be sufficiently given if hand-delivered, sent by documented overnight delivery service or registered or certified mail, postage prepaid, return receipt requested or by fax or telecopy (confirmed by U.S. mail), addressed as set forth below or to such other person and/or at such other address as may be furnished in writing by any party hereto to the other. Any such notice shall be deemed to have been given as of the date received, in the case of personal delivery, or on the date shown on the receipt or confirmation therefor, in all other cases. Any and all service of process and any other notice in any such action, suit or proceeding shall be effective against any party if given as provided in this Agreement; provided that nothing herein shall be deemed to affect the right of any party to serve process in any other manner permitted by law.

(a) If to Company and its Affiliates:

____
____
____
Tel:

Fax:

Attention:

(b) If to Employee:

____
____
____

With a copy to:

____
____
____

6.5 ENTIRE AGREEMENT AND MODIFICATION. This Agreement constitutes the entire agreement between the parties hereto with respect to the matters contemplated herein and supersedes all prior agreements and understandings with respect thereto. Any amendment, modification, or waiver of this Agreement shall not be effective unless in writing. Neither the failure nor any delay on the part of any party to exercise any right, remedy, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any other right, remedy, power, or privilege with respect to any occurrence be construed as a waiver of any right, remedy, power, or privilege with respect to any other occurrence.

6.6 GOVERNING LAW. This Agreement is made pursuant to, and shall be construed and enforced in accordance with, the internal laws of the Commonwealth of Pennsylvania, without giving effect to otherwise applicable principles of conflicts of law.

6.7 HEADINGS; COUNTERPARTS. The headings of paragraphs in this Agreement are for convenience only and shall not affect its interpretation. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original and all of which, when taken together, shall be deemed to constitute but one and the same Agreement.

6.8 FURTHER ASSURANCES. Each of the parties hereto shall execute such further instruments and take such other actions as any other party shall reasonably request in order to effectuate the purposes of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

AMERICAN FINE WIRE, LTD.

By /s/ Clifford G. Sprague
Clifford G. Sprague

/s/ R. Kelly Payne
R. Kelly Payne

GUARANTY

In consideration of the covenants and agreements of Employee under the within Employment Agreement, Kulicke and Soffa Industries, Inc., intending to be legally bound, hereby guarantees the obligations of Company under said Employment Agreement.

KULICKE AND SOFFA INDUSTRIES, INC.

By /s/ C. Scott Kulicke
C. Scott Kulicke, Chairman and CEO

SCHEDULE 3.3

BENEFITS

During his term of employment by Company, Employee shall be entitled to the following benefits:

(1) VACATION.* Employee shall be entitled to 21 working days of paid vacation during each fiscal year during the term of his employment hereunder and Company shall reimburse Employee for the cost of one round-trip airfare, business class, between Singapore and the U.S. during each fiscal year.

(2) AUTOMOBILE. Company shall provide Employee with an automobile (substantially the equivalent of the automobile currently provided by Company to Employee) for use in connection with the performance of his duties hereunder and shall reimburse him for all expenses reasonably incurred by him for the maintenance and operation, including fuel of such automobile, in connection with the performance of his duties hereunder in accordance with its regular reimbursement policies as in effect from time to time upon receipt of itemized vouchers therefor and such other supporting information as Company may reasonably require.

(3) HOUSING ALLOWANCE. While Employee remains based in Singapore Company shall pay Employee 10,000 Singapore Dollars per month in respect of a housing allowance. If Employee is based in another country, the housing allowance shall be appropriately adjusted, except that Employee shall not be entitled to any housing allowance if he is based in the United States.

(4) UTILITIES AND TELEPHONE. Company shall reimburse Employee for all reasonable telephone and utility charges incurred by Employee at his residence in Singapore.

(5) MEDICAL/DENTAL INSURANCE. Company shall provide medical/dental insurance consistent with that provided to other executives of Company.

(6) STOCK OPTIONS.* Employee shall be eligible to receive grants of stock options under the K&S stock option plan(s), subject to the discretion of the Committee administering such plan(s) and subject to the specific terms of the plans and of the option agreements covering any options granted to Employee thereunder.

(7) RELOCATION AND REPATRIATION EXPENSES. In the event that Company requires Employee's relocation from Singapore, Employee shall be entitled to reasonable relocation costs in accordance with Company's relocation policies. Similarly, in the event Employee's employment is terminated without Cause pursuant to Section 4.1(d) hereof and Employee elects within six months after the date of termination of his employment with Company to relocate to the United States, Employee shall be entitled to reasonable relocation costs.

(8) CENTRAL PROVIDENT FUND.* Employee has indicated an intention to continue making contributions to the CPF, and Company will make the required matching contributions. Employee shall not be eligible to participate in the K&S or AFW (S)401 (k) Plan.

(9) CHANGE IN CONTROL AGREEMENT.* Employee shall be subject to the same change in Control Agreement as are Vice Presidents of K&S, provided that there shall be no duplication of benefits between those due under Section 4.2(c) of this Agreement and the change in Control Agreement.

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* Indicates a Benefit which would not continue after termination pursuant to Section 4.2(c) of the Agreement.

EXHIBIT 21

SUBSIDIARIES OF THE COMPANY

Name	Jurisdiction of Incorporation
Kulicke and Soffa AG	Switzerland
Kulicke and Soffa (Asia) Ltd.	Hong Kong
Kulicke and Soffa (Japan) Ltd.	Japan and Delaware
Kulicke and Soffa (Israel) Ltd.	Israel
Kulicke and Soffa Investments, Inc.	Delaware
Micro Swiss Ltd.	Israel
Kulicke and Soffa Leasing, Inc.	Delaware
Kulicke & Soffa Singapore Inc.	Delaware
Kulicke & Soffa Export Inc.	Barbados
Circle "S" Industries, Inc.	Alabama
American Fine Wire Corporation	Alabama
American Fine Wire Ltd.	Cayman Islands
Mueller Feindraht, AG	Switzerland

EXHIBIT 23(i)

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectuses constituting part of the Registration Statements on Form S-8 (Nos. 2-68488, 33-12453, 33-13577, 33-30884 and 33-39265) of Kulicke and Soffa Industries, Inc. of our report dated Noveber 14, 1995 appearing on Page F-1 of this Annual Report on Form 10-K.

/s/ PRICE WATERHOUSE LLP

Philadelphia, Pennsylvania
Deceber 21, 1995

EXHIBIT 23(ii)

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectuses constituting part of the Registration Statements on Form S-8 (Nos. 2-68488, 33-12453, 33-13577, 33-30884, and 33-39265) of Kulicke and Soffa Industries, Inc. of our report dated November 3, 1994 appearing on page F-2 of this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedules.

/s/ LUBOSHITZ, KASIERER & CO.

Certified Public Accountants (Israel)
Haifa, Israel

December 21, 1995

(24-9394)

<ARTICLE> 5
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THIS SCHEDULE CONTAINS SUMMARY INFORMATION EXTRACTED FROM THE COMPANY'S AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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