

KULICKE & SOFFA INDUSTRIES INC
Form 10-Q
May 31, 2018
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2018

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission File No. 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) (IRS Employer Identification No.)

23A Serangoon North Avenue 5, #01-01 K&S Corporate Headquarters, Singapore 554369

(Address of principal executive offices and Zip Code)

(215) 784-6000

(Registrant's telephone number, including area code)

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company, and emerging growth company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of May 29, 2018, there were 69,107,600 shares of the Registrant's Common Stock, no par value, outstanding.

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PART I. - FINANCIAL INFORMATION

Item 1. – FINANCIAL STATEMENTS

KULICKE AND SOFFA INDUSTRIES, INC.

CONSOLIDATED CONDENSED BALANCE SHEETS

(in thousands)

Unaudited

	As of March 31, 2018	September 30, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$340,151	\$ 392,410
Restricted cash	535	530
Short-term investments	288,000	216,000
Accounts and other receivable, net of allowance for doubtful accounts of \$680 and \$79 respectively	224,484	198,480
Inventories, net	118,831	122,023
Prepaid expenses and other current assets	23,754	23,939
Total current assets	995,755	953,382
Property, plant and equipment, net	75,619	67,762
Goodwill	57,478	56,318
Intangible assets, net	60,180	62,316
Deferred income taxes	10,922	27,771
Equity investments	1,479	1,502
Other assets	2,577	2,056
TOTAL ASSETS	\$1,204,010	\$ 1,171,107
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$82,716	\$ 51,354
Accrued expenses and other current liabilities	85,133	124,847
Income taxes payable	19,340	16,780
Total current liabilities	187,189	192,981
Financing obligation	16,257	16,074
Deferred income taxes	27,800	27,152
Income taxes payable	83,626	6,438
Other liabilities	9,211	8,432
TOTAL LIABILITIES	\$324,083	\$ 251,077
Commitments and contingent liabilities (Note 16)		
SHAREHOLDERS' EQUITY:		
Preferred stock, without par value:		
Authorized 5,000 shares; issued - none	\$—	\$—
Common stock, no par value:		
Authorized 200,000 shares; issued 84,589 and 83,953, respectively; outstanding 69,787 and 70,197 shares, respectively	513,315	506,515

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Treasury stock, at cost, 14,802 and 13,756 shares, respectively	(182,354)	(157,604)
Retained earnings	539,871	569,080
Accumulated other comprehensive income	9,095	2,039
TOTAL SHAREHOLDERS' EQUITY	\$ 879,927	\$ 920,030

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY **\$1,204,010** **\$ 1,171,107**

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

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KULICKE AND SOFFA INDUSTRIES, INC.

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

Unaudited

	Three months ended		Six months ended	
	March 31,	April 1,	March 31,	April 1,
	2018	2017	2018	2017
		As		As
		Restated		Restated
Net revenue	\$221,772	\$199,613	\$435,463	\$349,252
Cost of sales	122,325	107,350	238,814	188,562
Gross profit	99,447	92,263	196,649	160,690
Selling, general and administrative	32,354	30,740	60,147	58,603
Research and development	28,657	25,020	58,907	46,525
Operating expenses	61,011	55,760	119,054	105,128
Income from operations	38,436	36,503	77,595	55,562
Interest income	2,986	1,579	4,961	2,751
Interest expense	(270)	(261)	(536)	(523)
Income before income taxes	41,152	37,821	82,020	57,790
Income tax expense	4,800	5,151	115,212	7,724
Share of results of equity-method investee, net of tax	39	—	23	—
Net income/(loss)	\$36,313	\$32,670	\$(33,215)	\$50,066
Net income/(loss) per share:				
Basic	\$0.52	\$0.46	\$(0.47)	\$0.71
Diluted	\$0.51	\$0.45	\$(0.47)	\$0.69
Weighted average shares outstanding:				
Basic	70,361	70,964	70,467	70,909
Diluted	71,425	72,270	70,467	72,039

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

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KULICKE AND SOFFA INDUSTRIES, INC.

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

Unaudited

	Three months ended		Six months ended	
	April 1, March 31, 2017		April 1, March 31, 2017	
	2018	As Restated	2018	As Restated
Net income/(loss)	\$36,313	\$32,670	\$(33,215)	\$50,066
Other comprehensive income:				
Foreign currency translation adjustment	5,222	1,138	7,592	(3,443)
Unrecognized actuarial (loss)/gain, on pension plan, net of tax	(37)	(42)	(25)	85
	5,185	1,096	7,567	(3,358)
Derivatives designated as hedging instruments:				
Unrealized gain/(loss) on derivative instruments, net of tax	540	1,120	1,029	(472)
Reclassification adjustment for (gain)/loss on derivative instruments recognized, net of tax	(494)	477	(1,540)	1,006
Net decrease from derivatives designated as hedging instruments, net of tax	46	1,597	(511)	534
Total other comprehensive income/(loss)	5,231	2,693	7,056	(2,824)
Comprehensive income/(loss)	\$41,544	\$35,363	\$(26,159)	\$47,242
The accompanying notes are an integral part of these consolidated condensed financial statements.				

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KULICKE AND SOFFA INDUSTRIES, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(in thousands)
Unaudited

	Six months ended	
	March 31, 2018	April 1, 2017
	As	Restated
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss)/income	\$(33,215)	\$50,066
Adjustments to reconcile net (loss)/income to net cash provided by operating activities:		
Depreciation and amortization	9,212	7,775
Equity-based compensation and employee benefits	5,331	6,680
(Excess tax benefits)/Reversal of excess tax benefits from stock-based compensation	(50)	742
Adjustment for doubtful accounts	678	(191)
Adjustment for inventory valuation	2,822	3,445
Deferred income taxes	22,823	4,872
Gain on disposal of property, plant and equipment	(425)	(1,050)
Unrealized foreign currency translation	6,046	(4,789)
Share of results of equity-method investee	23	—
Changes in operating assets and liabilities:		
Accounts and other receivable	(26,328)	(39,094)
Inventory	157	(17,556)
Prepaid expenses and other current assets	160	(1,141)
Accounts payable, accrued expenses and other current liabilities	(9,793)	35,331
Income taxes payable	79,908	(3,821)
Other, net	(276)	1,709
Net cash provided by operating activities	57,073	42,978
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(11,700)	(17,439)
Proceeds from sales of property, plant and equipment	244	1,352
Purchase of equity investments	—	(1,312)
Purchase of short-term investments	(325,000)	(139,000)
Maturity of short-term investments	253,000	124,000
Net cash used in investing activities	(83,456)	(32,399)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment on debts	(346)	(290)
Proceeds from exercise of common stock options	55	389
Repurchase of common stock	(23,950)	—
Reversal of excess tax benefits from stock-based compensation	—	(742)
Net cash used in financing activities	(24,241)	(643)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(1,630)	1,360
Changes in cash, cash equivalents and restricted cash	(52,254)	11,296
Cash, cash equivalents and restricted cash at beginning of period*	392,940	423,907
Cash, cash equivalents and restricted cash at end of period	\$340,686	\$435,203

* Certain time deposits as at October 1, 2016 have been corrected from cash equivalents to short-term investments for comparative purposes.

CASH PAID FOR:

Interest	\$536	\$523
Income taxes	\$10,728	\$5,454

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

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KULICKE AND SOFFA INDUSTRIES, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Unaudited

NOTE 1: BASIS OF PRESENTATION

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

The interim consolidated condensed financial statements are unaudited and, in management's opinion, include all adjustments (consisting only of normal and recurring adjustments except as described in Note 2) necessary for a fair statement of results for these interim periods. The interim consolidated condensed financial statements do not include all of the information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's amended Annual Report on Form 10-K/A for the fiscal year ended September 30, 2017, filed with the Securities and Exchange Commission, which includes Consolidated Balance Sheets as of September 30, 2017 and October 1, 2016, and the related Consolidated Statements of Operations, Statements of Other Comprehensive Income, Changes in Shareholders' Equity and Cash Flows for each of the years in the three-year period ended September 30, 2017. The results of operations for any interim period are not necessarily indicative of the results of operations for any other interim period or for a full year.

Fiscal Year

Each of the Company's first three fiscal quarters end on the Saturday that is 13 weeks after the end of the immediately preceding fiscal quarter. The fourth quarter of each fiscal year ends on the Saturday closest to September 30. Fiscal 2018 quarters end on December 30, 2017, March 31, 2018, June 30, 2018 and September 29, 2018. In fiscal years consisting of 53 weeks, the fourth quarter will consist of 14 weeks. Fiscal 2017 quarters ended on December 31, 2016, April 1, 2017, July 1, 2017 and September 30, 2017.

Nature of Business

The Company designs, manufactures and sells capital equipment and tools as well as services, maintains, repairs and upgrades equipment, all used to assemble semiconductor devices. The Company's operating results depend upon the capital and operating expenditures of semiconductor device manufacturers, integrated device manufacturers, outsourced semiconductor assembly and test providers (“OSATs”), and other electronics manufacturers including automotive electronics suppliers, worldwide which, in turn, depend on the current and anticipated market demand for semiconductors and products utilizing semiconductors. The semiconductor industry is highly volatile and experiences downturns and slowdowns which can have a severe negative effect on the semiconductor industry's demand for semiconductor capital equipment, including assembly equipment manufactured and sold by the Company and, to a lesser extent, tools, including those sold by the Company. These downturns and slowdowns have in the past adversely affected the Company's operating results. The Company believes such volatility will continue to characterize the industry and the Company's operations in the future.

Use of Estimates

The preparation of consolidated condensed financial statements requires management to make assumptions, estimates and judgments that affect the reported amounts of assets and liabilities, net revenue and expenses during the reporting periods, and disclosures of contingent assets and liabilities as of the date of the consolidated condensed financial statements. On an ongoing basis, management evaluates estimates, including but not limited to, those related to accounts receivable, reserves for excess and obsolete inventory, carrying value and lives of fixed assets, goodwill and intangible assets, valuation allowances for deferred tax assets and deferred tax liabilities, repatriation of un-remitted foreign subsidiary earnings, equity-based compensation expense, and warranties. Management bases its estimates on historical experience and on various other assumptions believed to be reasonable. As a result, management makes judgments regarding the carrying values of the Company's assets and liabilities that are not readily apparent from other sources. Authoritative pronouncements, historical experience and assumptions also are used as the basis for making estimates, and on an ongoing basis, management evaluates these estimates. Actual results may differ from

these estimates.

Vulnerability to Certain Concentrations

Financial instruments which may subject the Company to concentrations of credit risk as of March 31, 2018 and September 30, 2017 consisted primarily of trade receivables. The Company manages credit risk associated with investments by investing its excess cash in highly rated debt instruments of the U.S. Government and its agencies, 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 as appropriate. The Company does not have any exposure to sub-prime financial instruments or auction rate securities.

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KULICKE AND SOFFA INDUSTRIES, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Unaudited (continued)

The Company's trade receivables result primarily from the sale of semiconductor equipment, related accessories and replacement parts, and expendable tools to a relatively small number of large manufacturers in a highly concentrated industry. Write-offs of uncollectible accounts have historically not been significant. The Company actively monitors its customers' financial strength to reduce the risk of loss.

The Company's products are complex and require raw materials, components and subassemblies having a high degree of reliability, accuracy and performance. The Company relies on subcontractors to manufacture many of these components and subassemblies and it relies on sole source suppliers for some important components and raw material inventory.

Foreign Currency Translation and Remeasurement

The majority of the Company's business is transacted in U.S. dollars; however, the functional currencies of some of the Company's subsidiaries are their local currencies. In accordance with ASC No. 830, Foreign Currency Matters ("ASC 830"), for a subsidiary of the Company that has a functional currency other than the U.S. dollar, gains and losses resulting from the translation of the functional currency into U.S. dollars for financial statement presentation are not included in determining net income, but are accumulated in the cumulative translation adjustment account as a separate component of shareholders' equity (accumulated other comprehensive income / (loss)). Under ASC 830, cumulative translation adjustments are not adjusted for income taxes as they relate to indefinite investments in non-U.S. subsidiaries. Gains and losses resulting from foreign currency transactions are included in the determination of net income.

The Company's operations are exposed to changes in foreign currency exchange rates due to transactions denominated in currencies other than the location's functional currency. The Company is also exposed to foreign currency fluctuations that impact the remeasurement of net monetary assets of those operations whose functional currency, the U.S. dollar, differs from their respective local currencies, most notably in Israel, Malaysia, Singapore and Switzerland. In addition to net monetary remeasurement, the Company has exposures related to the translation of subsidiary financial statements from their functional currency, the local currency, into its reporting currency, the U.S. dollar, most notably in Netherlands, China, Taiwan, Japan and Germany. The Company's U.S. operations also have foreign currency exposure due to net monetary assets denominated in currencies other than the U.S. dollar.

Derivative Financial Instruments

The Company's primary objective for holding derivative financial instruments is to manage the fluctuation in foreign exchange rates and accordingly is not speculative in nature. The Company's international operations are exposed to changes in foreign exchange rates as described above. The Company has established a program to monitor the forecasted transaction currency risk to protect against foreign exchange rate volatility. Generally, the Company uses foreign exchange forward contracts in these hedging programs. These instruments, which have maturities of up to twelve months, are recorded at fair value and are included in prepaid expenses and other current assets, or accrued expenses and other current liabilities.

Our accounting policy for derivative financial instruments is based on whether they meet the criteria for designation as a cash flow hedge. A designated hedge with exposure to variability in the functional currency equivalent of the future foreign currency cash flows of a forecasted transaction is referred to as a cash flow hedge. The criteria for designating a derivative as a cash flow hedge include the assessment of the instrument's effectiveness in risk reduction, matching of the derivative instrument to its underlying transaction, and the assessment of the probability that the underlying transaction will occur. For derivatives with cash flow hedge accounting designation, we report the after-tax gain / (loss) from the effective portion of the hedge as a component of accumulated other comprehensive income / (loss) and reclassify it into earnings in the same period in which the hedged transaction affects earnings and in the same line item on the Consolidated Condensed Statement of Operations as the impact of the hedged transaction. Derivatives that we designate as cash flow hedges are classified in the Consolidated Condensed Statement of Cash Flows in the same section as the underlying item, primarily within cash flows from operating activities.

The hedge effectiveness of these derivative instruments is evaluated by comparing the cumulative change in the fair value of the hedge contract with the cumulative change in the fair value of the forecasted cash flows of the hedged item.

If a cash flow hedge is discontinued because it is no longer probable that the original hedged transaction will occur as previously anticipated, the cumulative unrealized gain or loss on the related derivative is reclassified from accumulated other comprehensive income / (loss) into earnings. Subsequent gain / (loss) on the related derivative instrument is recognized into earnings in each period until the instrument matures, is terminated, is re-designated as a qualified cash flow hedge, or is sold. Ineffective portions of cash flow hedges, as well as amounts excluded from the assessment of effectiveness, are recognized in earnings.

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KULICKE AND SOFFA INDUSTRIES, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Unaudited (continued)

Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. Cash equivalents are measured at fair value based on level one measurement, or quoted market prices, as defined by ASC No. 820, Fair Value Measurements and Disclosures.

Investments

Investments, other than cash equivalents, are classified as “trading,” “available-for-sale” or “held-to-maturity,” in accordance with ASC No. 320, Investments-Debt & Equity Securities, and 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 “trading” are reported at fair market value, with unrealized gains or losses included in earnings. 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 (accumulated other comprehensive income / (loss)). The fair market value of trading and available-for-sale securities is determined using quoted market prices at the balance sheet date. 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.

Equity Investments

The Company applies the equity method of accounting to investments that provide it with ability to exercise significant influence over the entities in which it lacks controlling financial interest and is not a primary beneficiary. Our proportionate share of the income or loss is recognized on a one-quarter lag and is recorded as share of results of equity-method investee, net of tax.

Allowance for Doubtful Accounts

The Company maintains allowances for doubtful accounts for estimated losses resulting from its customers' failure to make required payments. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The Company is also subject to concentrations of customers and sales to a few geographic locations, which could also impact the collectability of certain receivables. If global or regional economic conditions deteriorate or political conditions were to change in some of the countries where the Company does business, it could have a significant impact on the results of operations, and the Company's ability to realize the full value of its accounts receivable.

Inventories

Inventories are stated at the lower of cost (on a first-in first-out basis) or net realizable value. The Company generally provides reserves for obsolete inventory and for inventory considered to be in excess of demand. Demand is generally defined as 18 months forecasted future consumption for equipment, 24 months forecasted future consumption for spare parts, and 12 months forecasted future consumption for tools. Forecasted consumption is based upon internal projections, historical sales volumes, customer order activity and a review of consumable inventory levels at customers' facilities. The Company communicates forecasts of its future consumption to its suppliers and adjusts commitments to those suppliers accordingly. If required, the Company reserves the difference between the carrying value of its inventory and the lower of cost or net realizable value, based upon projections about future consumption, and market conditions. If actual market conditions are less favorable than projections, additional inventory reserves may be required.

Inventory reserve provision for certain subsidiaries is determined based on management's estimate of future consumption for equipment and spare parts. This estimate is based on historical sales volumes, internal projections and market developments and trends.

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 estimated useful lives as

follows: buildings 25 years; machinery, equipment, furniture and fittings 3 to 10 years; toolings 1 year; and leasehold improvements are based on the shorter of the life of lease or life of asset. Purchased computer software costs related to business and financial systems are amortized over a five-year period on a straight-line basis. Land is not depreciated.

Valuation of Long-Lived Assets

In accordance with ASC No. 360, Property, Plant & Equipment ("ASC 360"), the Company's property, plant and equipment is tested for impairment based on undiscounted cash flows when triggering events occur, and if impaired, written-down to fair value based on either discounted cash flows or appraised values. ASC 360 also provides a single accounting model for long-lived assets

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KULICKE AND SOFFA INDUSTRIES, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Unaudited (continued)

to be disposed of by sale and establishes additional criteria that would have to be met to classify an asset as held for sale. The carrying amount of an asset or asset group is not recoverable to the extent it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset or asset group. Estimates of future cash flows used to test the recoverability of a long-lived asset or asset group must incorporate the entity's own assumptions about its use of the asset or asset group and must factor in all available evidence.

ASC 360 requires that long-lived assets be tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Such events include significant under-performance relative to historical internal forecasts or projected future operating results; significant changes in the manner of use of the assets; significant negative industry or economic trends; or significant changes in market capitalization. During the three and six months ended March 31, 2018, no "triggering" events occurred.

Accounting for Impairment of Goodwill

Goodwill was recorded for the acquisitions of Orthodyne Electronics Corporation ("Orthodyne"), Assembléon B.V. ("Assembléon") and Liteq B.V. ("Liteq") in fiscal 2009, 2015 and 2017, respectively.

ASC No. 350, Intangibles-Goodwill and Other ("ASC 350") requires goodwill and other intangible assets with indefinite lives to be reviewed for impairment annually, or more frequently if circumstances indicate a possible impairment. We assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If, after assessing the qualitative factors, a company determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying value, then performing the two-step impairment test is unnecessary. However, if a company concludes otherwise, then it is required to perform the first step of the two-step goodwill impairment test. If the carrying value of a reporting unit exceeds its fair value in the first step of the test, then a company is required to perform the second step of the goodwill impairment test to measure the amount of the reporting unit's goodwill impairment loss, if any.

In January 2017, the FASB issued ASU 2017-04, Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, which eliminates the requirement to perform a hypothetical purchase price allocation to measure goodwill impairment. Under this guidance, the goodwill impairment test is performed by comparing the fair value of a reporting unit with its carrying amount, and recognizing an impairment charge for the amount by which the carrying amount of the reporting unit exceeds its fair value, although it cannot exceed the total amount of goodwill allocated to that reporting unit. This ASU will be effective for us beginning in our first quarter of 2021 and early adoption is permitted. During the third quarter of 2017, we elected to prospectively adopt ASU2017-04. This eliminates the requirement to perform step 2 of the goodwill impairment test.

As part of the annual evaluation, the Company performs an impairment test of its goodwill in the fourth quarter of each fiscal year to coincide with the completion of its annual forecasting and refreshing of its business outlook processes. On an ongoing basis, the Company monitors if a "triggering" event has occurred that may have the effect of reducing the fair value of a reporting unit below its respective carrying value. Adverse changes in expected operating results and/or unfavorable changes in other economic factors used to estimate fair values could result in a non-cash impairment charge in the future.

Impairment assessments inherently involve judgment as to the assumptions made about the expected future cash flows and the impact of market conditions on those assumptions. Future events and changing market conditions may impact the assumptions as to prices, costs, growth rates or other factors that may result in changes in the estimates of future cash flows. Although the Company believes the assumptions that it has used in testing for impairment are reasonable, significant changes in any one of the assumptions could produce a significantly different result. Indicators of potential impairment may lead the Company to perform interim goodwill impairment assessments, including significant and unforeseen customer losses, a significant adverse change in legal factors or in the business climate, a significant adverse action or assessment by a regulator, a significant stock price decline or unanticipated competition.

For further information on goodwill and other intangible assets, see Note 6 below.

Revenue Recognition

In accordance with ASC No. 605, Revenue Recognition, the Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable, the collectability is reasonably assured, and customer acceptance, when applicable, has been received or we otherwise have been released from customer acceptance obligations. If terms of the sale provide for a customer acceptance period, revenue is recognized upon the expiration of the acceptance period or customer acceptance, whichever occurs first. Service revenue is generally recognized over the period that the services are provided.

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KULICKE AND SOFFA INDUSTRIES, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Unaudited (continued)

Shipping and handling costs billed to customers are recognized in net revenue. Shipping and handling costs paid by the Company are included in cost of sales.

Research and Development

The Company charges research and development costs associated with the development of new products to expense when incurred. In certain circumstances, pre-production machines that the Company intends to sell are carried as inventory until sold.

Income Taxes

In accordance with ASC No. 740, Income Taxes, deferred income taxes are determined using the balance sheet method. The Company records a valuation allowance to reduce its deferred tax assets to the amount it expects is more likely than not to be realized. While the Company has considered future taxable income and its ongoing tax planning strategies in assessing the need for the valuation allowance, if it were to determine that it would be able to realize its deferred tax assets in the future in excess of its net recorded amount, an adjustment to the deferred tax asset would increase income in the period when such determination is made. Likewise, should the Company determine it would not be able to realize all or part of its net deferred tax assets in the future, an adjustment to the deferred tax asset would decrease income in the period when such determination is made.

In accordance with ASC No. 740 Topic 10, Income Taxes, General ("ASC 740.10"), the Company accounts for uncertain tax positions taken or expected to be taken in its income tax return. Under ASC 740.10, the Company utilizes a two-step approach for evaluating uncertain tax positions. Step one, or recognition, requires a company to determine if the weight of available evidence indicates a tax position is more likely than not to be sustained upon examination solely based on its technical merit. Step two, or measurement, is based on the largest amount of benefit, which is more likely than not to be realized on settlement with the taxing authority, including resolution of related appeals or litigation processes, if any.

Equity-Based Compensation

The Company accounts for equity-based compensation under the provisions of ASC No. 718, Compensation - Stock Compensation ("ASC 718"). ASC 718 requires the recognition of the fair value of the equity-based compensation in net income. Compensation expense associated with Relative TSR Performance Restricted Stock is determined using a Monte-Carlo valuation model, and compensation expense associated with time-based and Special/Growth Performance Restricted Stock is determined based on the number of shares granted and the fair value on the date of grant. See Note 12 for a summary of the terms of these performance-based awards. The fair value of the Company's stock option awards are estimated using a Black-Scholes option valuation model. The fair value of equity-based awards is amortized over the vesting period of the award and the Company elected to use the straight-line method for awards granted after the adoption of ASC 718.

Earnings per Share

Earnings per share ("EPS") are calculated in accordance with ASC No. 260, Earnings per Share. Basic EPS include only the weighted average number of common shares outstanding during the period. Diluted EPS include the weighted average number of common shares and the dilutive effect of stock options, restricted stock and share unit awards and convertible subordinated notes outstanding during the period, when such instruments are dilutive.

In accordance with ASC No. 260.10.55, Earnings per Share - Implementation & Guidance, the Company treats all outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends as participating in undistributed earnings with common shareholders. Awards of this nature are considered participating securities and the two-class method of computing basic and diluted EPS must be applied.

Accounting for Business Acquisitions

The Company accounts for business acquisitions in accordance with ASC No. 805, Business Combinations. The fair value of the net assets acquired and the results of operations of the acquired businesses are included in the Unaudited Consolidated Condensed Financial Statements from the acquisition date forward. The Company is required to make

estimates and assumptions that affect the reported amounts of assets and liabilities and results of operations during the reporting period. Estimates are used in accounting for, among other things, the fair value of acquired net operating assets, property and equipment, deferred revenue, intangible assets and related deferred tax liabilities, useful lives of plant and equipment, and amortizable lives of acquired intangible assets. Any excess of the purchase consideration over the identified fair value of the assets and liabilities acquired is recognized as goodwill. The valuation of these tangible and identifiable intangible assets and liabilities is subject to further management review and may change materially between the preliminary allocation and end of the purchase price allocation period.

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KULICKE AND SOFFA INDUSTRIES, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Unaudited (continued)

Restructuring charges

Restructuring charges may consist of voluntary or involuntary severance-related charges, asset-related charges and other costs due to exit activities. We recognize voluntary termination benefits when an employee accepts the offered benefit arrangement. We recognize involuntary severance-related charges depending on whether the termination benefits are provided under an ongoing benefit arrangement or under a one-time benefit arrangement. If the former, we recognize the charges once they are probable and the amounts are estimable. If the latter, we recognize the charges once the benefits have been communicated to employees.

Recent Accounting Pronouncements

Restricted Cash

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force). This update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. We adopted this ASU in the first quarter of 2018 on a retrospective basis. As of March 31, 2018 and September 30, 2017, restricted cash was \$0.5 million. The adoption of this ASU did not have a material impact on our cash flows.

Income Taxes

In October 2016, the FASB issued ASU 2016-16, Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other than Inventory. The new guidance requires the tax effects of intercompany transactions (other than transfers of inventory) to be recognized currently. The new guidance will be effective for public business entities in fiscal years beginning after December 15, 2017 (our fiscal 2019), including interim periods within those years, with an option to early adopt. The modified retrospective approach will be required for transition to the new guidance, with a cumulative-effect adjustment recorded in retained earnings as of the beginning of the period of adoption. We do not expect the adoption of this ASU itself to have a material impact on our financial statements. However, the ultimate impact of adopting this ASU will depend on the balance of intellectual property transferred between our subsidiaries as of the adoption date. We are currently evaluating the timing of the adoption of this ASU.

Stock Compensation

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. This ASU identifies areas for simplification involving several aspects of accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. We adopted this ASU as of the beginning of the first quarter of 2018 and elected to account for forfeitures when they occur, on a modified retrospective basis. The adoption impact on the consolidated balance sheet as of March 31, 2018 was a cumulative adjustment of \$1.4 million, decreasing the retained earnings and increasing capital surplus. We also recognized deferred tax assets of \$5.4 million with a corresponding increase in retained earnings. The adoption did not have any other material impacts on our financial statements.

In May 2017, the FASB issued ASU No. 2017-09, Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting. This ASU specifies the modification accounting applicable to any entity which changes the terms or conditions of a share-based payment award. We elected to prospectively adopt this ASU as of the beginning of the first quarter of 2018. The adoption of this ASU did not have a material impact on our financial statements.

Leases

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under current GAAP. This ASU will be effective for us beginning in our first quarter of fiscal 2020 and early adoption is permitted. The adoption of this ASU will result in an increase in our consolidated balance sheets for these right of use assets and corresponding liabilities.

However, the ultimate impact of adopting this ASU will depend on the Company's lease portfolio as of the adoption date. We are currently evaluating the timing and other effects of the adoption of this ASU on our financial statements.

Financial Instruments

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities (“ASU 2016-01”), which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. We adopted this ASU as of the beginning of the first quarter of 2018. The adoption of this ASU did not have a material impact on our financial statements.

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KULICKE AND SOFFA INDUSTRIES, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Unaudited (continued)

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This ASU replaces the impairment methodology in current GAAP, which delays recognition of credit losses until it is probable a loss has been incurred, with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This ASU will be effective for us beginning in our first quarter of fiscal 2020. Early adoption is permitted beginning in our first quarter of 2019. We are currently evaluating the impact of the adoption of this ASU on our financial statements.

Derivatives and Hedging

In August 2017, the FASB issued ASU 2017-12, Targeted Improvements to Accounting for Hedging Activities (Topic 815). The new guidance expands and refines hedge accounting for both financial and non-financial risks. The new guidance also modifies disclosure requirements for hedging activities. The new guidance will be effective for us beginning in our first quarter of fiscal 2020, and early adoption is permitted in any interim period. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements as well as whether to adopt the new guidance early.

Business Combinations

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business, which provides a new framework for determining whether business development transactions should be accounted for as acquisitions (or disposals) of assets or businesses. This ASU will be effective for us beginning in our first quarter of 2019. Earlier application is permitted for acquisition or derecognition events that occurred prior to issuance date or effective date of the guidance only when the transaction has not been reported in financial statements that have been issued or made available for issuance. We have elected to prospectively adopt this ASU as of the beginning of the first quarter of 2018. The adoption of this ASU did not have a material impact on our financial statements.

Statement of Cash Flows

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This ASU addresses the classification of certain specific cash flow issues including debt prepayment or extinguishment costs, settlement of certain debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of certain insurance claims and distributions received from equity method investees. We have elected to prospectively adopt this ASU as of the beginning of the first quarter of 2018. The adoption of this ASU did not have a material impact on our financial statements.

Revenue Recognition

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"), which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when products are transferred to customers.

Subsequently, the FASB has issued the following standards related to ASU 2014-09: ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations ("ASU 2016-08"); ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing ("ASU 2016-10"); ASU No. 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients ("ASU 2016-12"); and ASU No. 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers ("ASU 2016-20" and collectively, the "new revenue standards").

The new revenue standards may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. The new standard is effective for annual reporting periods beginning after December 15, 2017. The new standard permits companies to early adopt the new standard, but the

Company will not early adopt the new standard and therefore the new standard will be effective for the Company in the first quarter of its fiscal 2019. We continue to review the impact of this guidance on revenue related activities, and are monitoring additional changes, modifications, clarifications or interpretations undertaken by the FASB. We do not expect the adoption of this ASU itself to have a material impact on our financial statements. However, the ultimate impact of adopting this ASU will depend on the Company's revenue portfolio as of the adoption date.

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KULICKE AND SOFFA INDUSTRIES, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Unaudited (continued)

NOTE 2: RESTATEMENT OF CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

On May 10, 2018 and May 28, 2018, the Company's Audit Committee, in consultation with the Board of Directors, concluded that the Company's previously issued financial statements for the fiscal year ended September 30, 2017 and the three months ended December 30, 2017, respectively, could no longer be relied upon. This decision was reached after discussions with the Company's senior management and outside advisers.

The above was a result of the Company's determination that, i) the warranty expense and warranty accrual accounts had been misstated for the quarter ended December 30, 2017 as a result of inaccurate and unsupported journal entries recorded due to management override of controls, and ii) the cost of sales and account payable accounts were misstated for the quarter ended December 30, 2017 as a result of falsified accounting records due to management override of controls. The management overrides of controls were identified during an internal investigation, which was concluded in May 2018, related to an unauthorized disbursement by a senior finance employee that was discovered after the end of the second fiscal quarter of 2018.

With respect to the journal entries impacting warranty expense and warranty accrual accounts, we determined that the manual journal entries initiated by this employee were made to correct the Company's failure to properly include labor costs in our warranty accrual, described below, lacked supporting documentation and were accounted for incorrectly. As a result, the Company identified overstatements of specific warranty accruals of \$2.8 million and \$15.9 million for fiscal 2016 and fiscal 2017, respectively.

In addition, the Company also identified adjustments that were required to be made to retained earnings, warranty expense and accrual accounts to correct the inappropriate exclusion of the estimated labor costs related to warranty repairs from its historical warranty accounting. While the latter adjustments are not deemed material, the Company is adjusting retained earnings, warranty expense and warranty accrual accounts as part of the restatement. As a result, the Company identified an understatement of warranty accruals relating to fiscal 2014 and prior years of \$10.1 million in the aggregate, as the actual labor costs had instead been expensed in the periods incurred.

In addition to the understatement of warranty accruals relating to fiscal 2014 and in prior years, the warranty expense had also been misstated from fiscal 2015 through fiscal 2017, resulting in a cumulative understatement of income from operations of approximately \$17.6 million. Of this understatement, approximately \$14.8 million, \$1.4 million, and \$1.4 million was related to the fiscal years ended September 30, 2017, October 1, 2016 and October 3, 2015, respectively. The labor costs relating to warranty expenses were also incorrectly reported in selling, general and administrative expense instead of cost of sales for the fiscal years ended September 30, 2017, October 1, 2016 and October 3, 2015. The Consolidated Balance Sheets were also misstated for the annual periods from 2015 through 2017.

The Company has also identified a misstatement in its previously reported consolidated condensed financial statements for the quarterly period ended December 30, 2017, relating to a reduction in the warranty accrual of \$5.2 million. This reduction resulted in an understatement of cost of sales and provision for warranty. In addition, the labor costs relating to warranty expenses of \$2.4 million were also incorrectly reported in selling, general and administrative expense instead of cost of sales.

In connection with the internal investigation, the Company identified an unauthorized payment that had been initiated by a senior finance employee to an unapproved vendor in the second fiscal quarter of fiscal 2018. The payment was made based on falsified accounting records where two manual journal entries totaling \$5.8 million in the aggregate had been recorded in accounts payable and cost of sales. Management has determined this to be a misappropriation of the Company's assets. Accordingly, the previously reported consolidated condensed financial statements for the quarterly period ended December 30, 2017 were misstated, because accounts payable and cost of sales were each overstated by \$5.8 million.

In addition, we have made related tax expense adjustments for the above matters.

This Quarterly Report on Form 10-Q includes the restated fiscal 2017 comparable prior quarter and year to date periods.

KULICKE AND SOFFA INDUSTRIES, INC.

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

Unaudited

	Three Months Ended April 1, 2017		
	As Previously Reported	Effect of Restatement	As Restated
Cost of sales	109,322	(1,972)	107,350
Gross profit	90,291	1,972	92,263
Selling, general and administrative	32,666	(1,926)	30,740
Operating expenses	57,686	(1,926)	55,760
Income from operations	32,605	3,898	36,503
Income from operations before income taxes	33,923	3,898	37,821
Income tax expense	4,882	269	5,151
Net income	\$29,041	\$ 3,629	\$ 32,670
Net income per share:			
Basic	\$0.41	\$ 0.05	\$0.46
Diluted	\$0.40	\$ 0.05	\$0.45

	Six Months Ended April 1, 2017		
	As Previously Reported	Effect of Restatement	As Restated
Cost of sales	190,643	(2,081)	188,562
Gross profit	158,609	2,081	160,690
Selling, general and administrative	62,198	(3,595)	58,603
Operating expenses	108,723	(3,595)	105,128
Income from operations	49,886	5,676	55,562
Income from operations before income taxes	52,114	5,676	57,790
Income tax expense	7,490	234	7,724
Net income	\$44,624	\$ 5,442	\$ 50,066
Net income per share:			
Basic	\$0.63	\$ 0.08	\$0.71
Diluted	\$0.62	\$ 0.07	\$0.69

KULICKE AND SOFFA INDUSTRIES, INC.

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

Unaudited

	Three Months Ended April 1, 2017		
	As Previously Reported	Effect of Restatement	As Restated
Net income	\$29,041	\$ 3,629	\$ 32,670
Comprehensive income	\$31,734	\$ 3,629	\$ 35,363

	Six Months Ended April 1, 2017		
	As Previously Reported	Effect of Restatement	As Restated
Net income	\$44,624	\$ 5,442	\$ 50,066
Comprehensive income	\$41,800	\$ 5,442	\$ 47,242

KULICKE AND SOFFA INDUSTRIES, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(in thousands)
Unaudited

	Six Months Ended April 1, 2017		
	As Previously Reported	Effect of Restatement	As Restated
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$44,624	\$ 5,442	50,066
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred taxes	4,638	234	4,872
Accounts payable, accrued expenses and other current liabilities	41,007	(5,676)	35,331
Net cash provided by operating activities	42,978	—	42,978

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KULICKE AND SOFFA INDUSTRIES, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Unaudited (continued)

NOTE 3: RESTRUCTURING

In fiscal 2016, the Company implemented a restructuring program to streamline its international operations and functions as well as to consolidate its organization structure to achieve our cost-reduction, productivity and efficiency initiatives. In fiscal 2017, the Company implemented a restructuring program to reallocate resources with respect to the EA/APMR ("Electronics Assembly/Hybrid") business unit.

The accrued cost as at March 31, 2018 of these restructuring programs is expected to be paid in fiscal 2018.

The following table is a summary of activity related to these restructuring programs for the three and six months ended March 31, 2018 and April 1, 2017:

(in thousands)	Three months ended March 31, 2018				Six months ended March 31, 2018			
	Beginning of period (1)	Expenses (2)	Payments	End of period (1)	Beginning of period (1)	Expenses (2)	Payments	End of period (1)
Accrued Severance and benefits	\$1,997	\$ —	\$(1,700)	\$297	\$2,892	\$(31)	\$(2,564)	\$297
Other exit costs	1,466	(160)	(46)	1,260	1,736	(159)	(317)	1,260
	\$3,463	\$(160)	\$(1,746)	\$1,557	\$4,628	\$(190)	\$(2,881)	\$1,557
(in thousands)	Three months ended April 1, 2017				Six months ended April 1, 2017			
	Beginning of period (1)	Expenses (2)	Payments	End of period (1)	Beginning of period (1)	Expenses (2)	Payments	End of period (1)
Accrued Severance and benefits	\$—	\$ —	—\$—	\$—	\$37	\$ —	—\$(37)	\$—
Other exit costs	\$3,633	\$ —	—\$(1,575)	\$2,058	\$6,525	\$ —	—\$(4,467)	\$2,058
	\$3,633	\$ —	—\$(1,575)	\$2,058	\$6,562	\$ —	—\$(4,504)	\$2,058

(1) Included within accrued expenses and other current liabilities on the Consolidated Condensed Balance Sheets.

(2) Provision for severance and benefits and other exit costs are included within selling, general and administrative expenses on the Consolidated Condensed Statements of Operations.

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KULICKE AND SOFFA INDUSTRIES, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Unaudited (continued)

NOTE 4: BALANCE SHEET COMPONENTS

The following tables reflect the components of significant balance sheet accounts as of March 31, 2018 and September 30, 2017:

(in thousands)	As of	
	March 31, 2018	September 30, 2017
Short term investments, available-for-sale ⁽¹⁾	\$288,000	\$ 216,000
Inventories, net:		
Raw materials and supplies	\$55,993	\$ 44,239
Work in process	47,460	40,827
Finished goods	40,646	61,596
	144,099	146,662
Inventory reserves	(25,268)	(24,639)
	\$118,831	\$ 122,023
Property, plant and equipment, net:		
Land	\$2,182	\$ 2,182
Buildings and building improvements	51,160	50,910
Leasehold improvements	9,288	9,882
Data processing equipment and software	34,952	34,700
Machinery, equipment, furniture and fixtures	78,114	68,143
	175,696	165,817
Accumulated depreciation	(100,077)	(98,055)
	\$75,619	\$ 67,762
Accrued expenses and other current liabilities:		
Wages and benefits	\$31,168	\$ 47,411
Accrued customer obligations ⁽²⁾	30,968	52,460
Commissions and professional fees	7,536	8,555
Deferred rent	1,908	1,930
Severance ⁽³⁾	1,217	3,828
Other	12,336	10,663
	\$85,133	\$ 124,847

All short-term investments were classified as available-for-sale and were measured at fair value based on level one (1) measurement, or quoted market prices, as defined by ASC 820. The Company did not recognize any realized gains or losses on the sale of investments during the three and six months ended March 31, 2018 and April 1, 2017.

(2) Represents customer advance payments, customer credit program, accrued warranty expense and accrued retrofit obligations.

(3) Includes the restructuring plan discussed in Note 3, severance payable in connection with the November 2017 departure of the Company's CFO of \$0.7 million, and other severance payments.

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KULICKE AND SOFFA INDUSTRIES, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Unaudited (continued)

NOTE 5: BUSINESS COMBINATIONS

Acquisition of Liteq

On July 2, 2017, the Company, through a wholly owned subsidiary, acquired all of the outstanding equity interests of Liteq. Liteq is a lithography solutions provider for advanced packaging.

The purchase price consisted of EUR 25.0 million (approximately \$28.6 million) cash paid at closing and additional potential earn-out payments based on Liteq's cumulative pre-tax earnings and cumulative engineering expenses for fiscal 2018 to 2022. The acquisition expands the Company's presence in the advanced packaging market.

The acquisition of Liteq was accounted for in accordance with ASC No. 805, Business Combinations, using the acquisition method. The Company has estimated the preliminary fair value of acquired assets and liabilities as of the date of acquisition based on information available. The valuation of these tangible and identifiable intangible assets and liabilities is subject to further management review and may change materially between the preliminary allocation and end of the purchase price allocation period of July 2, 2018. Any changes in these estimates may have a material impact on our Consolidated Condensed Statements of Operations or Consolidated Condensed Balance Sheets.

The following table summarizes the allocation of the assets acquired and liabilities assumed based on the fair values as of the acquisition date and related useful lives of the finite-lived intangible assets acquired:

(in thousands)	July 2, 2017
Prepaid expenses and other current assets	\$199
Property, plant and equipment	107
Intangibles	18,060
Goodwill	10,253
Accounts payable	(157)
Accrued expenses and other current liabilities	(103)
Deferred tax liabilities	(1,240)
Total purchase price, net of cash acquired	\$27,119

Tangible net assets (liabilities) were valued at their respective carrying amounts, which the Company believes approximate their current fair values at the acquisition date.

The valuation of identifiable intangible assets acquired, representing developed technology, reflects management's estimates based on, among other factors, use of established valuation methods. The developed technology was determined using the relief from royalty method, and is amortized over the period of estimated benefit using the straight-line method and the estimated useful lives of ten years. The straight-line method of amortization represents the Company's best estimate of the distribution of the economic value of the identifiable intangible assets. Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired and includes the value of expected future cash flows of Liteq from expected synergies with our other affiliates and other unidentifiable intangible assets. None of the goodwill recorded as part of the acquisition will be deductible for income tax purposes.

In connection with the acquisition of Liteq, the Company recorded deferred tax liabilities relating to the acquired intangible assets, which are partially offset by the net amount of acquired net operating losses. The net amount of acquired net operating losses is comprised of net operating losses less the tax reserves and valuation allowance.

Acquisition of Assembléon

In 2015, the Company, through a wholly owned subsidiary, acquired all of the outstanding equity interests of Assembléon. The cash purchase price of approximately \$97.4 million (EUR 80 million) consisted of \$72.5 million for 100% of the equity of Assembléon and \$24.9 million which was used by Assembléon to settle intercompany loans with its parent company. On January 18, 2018, the Company released \$5.0 million (EUR 4.2 million) previously held in escrow, after the conclusion of a legal proceeding for which the Company asserted indemnification rights under the

share purchase agreement.

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KULICKE AND SOFFA INDUSTRIES, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Unaudited (continued)

NOTE 6: GOODWILL AND INTANGIBLE ASSETS

Goodwill

Intangible assets classified as goodwill are not amortized. The goodwill established in connection with our acquisitions represents the estimated future economic benefits arising from the assets we acquired that did not qualify to be identified and recognized individually. The goodwill also includes the value of expected future cash flows of the acquisitions, expected synergies with our other affiliates and other unidentifiable intangible assets. The Company performs an annual impairment test of its goodwill during the fourth quarter of each fiscal year, which coincides with the completion of its annual forecasting and refreshing of business outlook process.

The Company performed its annual impairment test in the fourth quarter of fiscal 2017 and concluded that no impairment charge was required. During the three and six months ended March 31, 2018, the Company reviewed qualitative factors to ascertain if a "triggering" event may have taken place that may have the effect of reducing the fair value of the reporting unit below its carrying value and concluded that no triggering event had occurred.

The following table summarizes the Company's recorded goodwill as of March 31, 2018 and September 30, 2017:

	As of	
(in thousands)	March 31, 2018	September 30, 2017
Capital Equipment	\$30,894	\$ 29,975
APS	26,584	26,343
	\$57,478	\$ 56,318

Intangible Assets

Intangible assets with determinable lives are amortized over their estimated useful lives. The Company's intangible assets consist primarily of developed technology, customer relationships and trade and brand names.

The following table reflects net intangible assets as of March 31, 2018 and September 30, 2017:

	As of		Average estimated
(dollar amounts in thousands)	March 31, 2018	September 30, 2017	useful lives (in years)
Technology	\$94,031	\$ 92,140	7.0 to 15.0
Accumulated amortization	(43,622)	(41,162)	
Net technology	\$50,409	\$ 50,978	
Customer relationships	\$37,173	\$ 36,968	5.0 to 6.0
Accumulated amortization	(28,982)	(27,398)	
Net customer relationships	\$8,191	\$ 9,570	
Trade and brand names	\$7,549	\$ 7,515	7.0 to 8.0
Accumulated amortization	(5,969)	(5,747)	
Net trade and brand name	\$1,580	\$ 1,768	
Other intangible assets	\$2,500	\$ 2,500	1.9
Accumulated amortization	(2,500)	(2,500)	
Net other intangible assets	\$—	\$ —	
Net intangible assets	\$60,180	\$ 62,316	

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KULICKE AND SOFFA INDUSTRIES, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Unaudited (continued)

The following table reflects estimated annual amortization expense related to intangible assets as of March 31, 2018:

(in thousands)	As of March 31, 2018
Remaining fiscal 2018	\$ 4,052
Fiscal 2019	8,105
Fiscal 2020	8,105
Fiscal 2021	5,871
Fiscal 2022 and onwards	34,047
Total amortization expense	\$ 60,180

NOTE 7: CASH, CASH EQUIVALENTS, RESTRICTED CASH AND SHORT-TERM INVESTMENTS

Cash equivalents consist of instruments with remaining maturities of three months or less at the date of purchase. In general, these investments are free of trading restrictions.

Cash, cash equivalents, restricted cash and short-term investments consisted of the following as of March 31, 2018:

(in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Current assets:				
Cash	\$ 54,378	\$ —	\$ —	\$ 54,378
Cash equivalents:				
Money market funds ⁽¹⁾	210,809	—	(16)	210,793
Time deposits ⁽²⁾	55,009	—	—	55,009
Commercial paper ⁽²⁾	19,971	—	—	19,971
Total cash and cash equivalents	\$ 340,167	\$ —	\$ (16)	\$ 340,151
Restricted Cash ⁽²⁾	535	—	—	535
Total cash, cash equivalents, and restricted cash	\$ 340,702	\$ —	\$ (16)	\$ 340,686
Short-term investments ⁽²⁾ :				
Time deposits	192,000	—	—	192,000
Deposits ⁽³⁾	96,000	—	—	96,000
Total short-term investments	\$ 288,000	\$ —	\$ —	\$ 288,000

Total cash,
cash

equivalents,	\$	628,702	\$	—	\$	(16	)	\$	628,686
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restricted cash
and short-term
investments

(1) The fair value was determined using unadjusted prices in active, accessible markets for identical assets, and as such they were classified as Level 1 assets in the fair value hierarchy.

(2) Fair value approximates cost basis.

(3) Represents deposits that require a notice period of three months for withdrawal.

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NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Unaudited (continued)

Cash, cash equivalents, restricted cash and short-term investments consisted of the following as of September 30, 2017:

(in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Current assets:				
Cash	\$ 65,759	\$	—\$	—\$ 65,759
Cash equivalents ⁽¹⁾ :				
Money market funds	232,069	—	—	232,069
Time deposits	89,087	—	—	89,087
Commercial paper	5,495	—	—	5,495
Total cash and cash equivalents	\$ 392,410	\$	—\$	—\$ 392,410
Restricted Cash ⁽¹⁾	530			530
Total cash, cash equivalents, and restricted cash	\$ 392,940	\$	—\$	—\$ 392,940
Short-term investments ⁽¹⁾ :				
Time deposits	120,000	—	—	120,000
Deposits ⁽²⁾	96,000	—	—	96,000
Total short-term investments	\$ 216,000	\$	—\$	—\$ 216,000
Total cash, cash equivalents, restricted cash and short-term investments	\$ 608,940	\$	—\$	—\$ 608,940

(1) Fair value approximates cost basis.

(2) Represents deposits that require a notice period of three months for withdrawal.

NOTE 8: EQUITY INVESTMENTS

Equity investments consisted of the following as of March 31, 2018 and September 30, 2017:

	As of	
(in thousands)	March 31, 2018	September 30, 2017

Equity method investment \$ 1,479 \$ 1,502

The Company has an investment in one of our strategic suppliers which provides the Company with the ability to exercise significant influence over the investment vehicle, in which it lacks a controlling financial interest and is not a primary beneficiary. Our share of gains and losses in the equity method investment is recognized on a one-quarter lag, and is reflected as share of results of equity-method investee, net of tax, in the accompanying Consolidated Condensed Statements of Operations.

NOTE 9: FAIR VALUE MEASUREMENTS

Accounting standards establish three levels of inputs that may be used to measure fair value: quoted prices in active markets for identical assets or liabilities (referred to as Level 1), inputs other than Level 1 that are observable for the asset or liability either directly or indirectly (referred to as Level 2) and unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities (referred to as Level 3).

Assets and Liabilities Measured and Recorded at Fair Value on a Recurring Basis

We measure certain financial assets and liabilities at fair value on a recurring basis. There were no transfers between fair value measurement levels during the three and six months ended March 31, 2018.

Fair Value Measurements on a Nonrecurring Basis

Our non-financial assets such as intangible assets and property, plant and equipment are carried at cost unless impairment is deemed to have occurred. Our equity method investments are recorded at fair value only if an impairment is recognized.

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KULICKE AND SOFFA INDUSTRIES, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Unaudited (continued)

Fair Value of Financial Instruments

Amounts reported as accounts receivables, prepaid expenses and other current assets, accounts payable and accrued expenses approximate fair value.

NOTE 10: DERIVATIVE FINANCIAL INSTRUMENTS

The Company's international operations are exposed to changes in foreign exchange rates due to transactions denominated in currencies other than U.S. dollars. Most of the Company's revenue and cost of materials are transacted in U.S. dollars. However, a significant amount of the Company's operating expenses are denominated in local currencies, primarily in Singapore.

The foreign currency exposure of our operating expenses is generally hedged with foreign exchange forward contracts. The Company's foreign exchange risk management programs include using foreign exchange forward contracts with cash flow hedge accounting designation to hedge exposures to the variability in the U.S. dollar equivalent of forecasted non-U.S. dollar-denominated operating expenses. These instruments generally mature within twelve months. For these derivatives, we report the after-tax gain or loss from the effective portion of the hedge as a component of accumulated other comprehensive income (loss), and we reclassify it into earnings in the same period or periods in which the hedged transaction affects earnings and in the same line item on the Consolidated Condensed Statements of Operations as the impact of the hedged transaction.

The fair value of derivative instruments on our Consolidated Condensed Balance Sheet as of March 31, 2018 and September 30, 2017 was as follows:

(in thousands)	As of		September 30, 2017	
	March 31, 2018			
	Notional	Fair Value	Notional	Fair Value
	Amount	Asset	Amount	Asset
		Derivatives ⁽¹⁾		Derivatives ⁽¹⁾
Derivatives designated as hedging instruments:				
Foreign exchange forward contracts ⁽²⁾	\$39,927	\$ 842	\$36,404	\$ 1,353
Total derivatives	\$39,927	\$ 842	\$36,404	\$ 1,353

(1) The fair value of derivative assets is measured using level 2 fair value inputs and is included in prepaid expenses and other current assets on our Consolidated Condensed Balance Sheet.

(2) Hedged amounts expected to be recognized to income within the next twelve months.

The effects of derivative instruments designated as cash flow hedges in our Consolidated Condensed Statements of Comprehensive Income for the three and six months ended March 31, 2018 and April 1, 2017 are as follows:

(in thousands)	Three months		Six months	
	ended		ended	
	March 31,	April 1,	March 31,	April 1,
	2018	2017	2018	2017
Foreign exchange forward contract in cash flow hedging relationships:				
Net gain/(loss) recognized in OCI, net of tax ⁽¹⁾	\$540	\$1,120	\$1,029	\$(472)
Net gain/(loss) reclassified from accumulated OCI into income, net of tax ⁽²⁾	\$494	\$(477)	\$1,540	\$(1,006)
Net gain recognized in income ⁽³⁾	\$—	\$—	\$—	\$—

(1) Net change in the fair value of the effective portion classified in other comprehensive income ("OCI").

(2) Effective portion classified as selling, general and administrative expense.

(3) Ineffective portion and amount excluded from effectiveness testing classified in selling, general and administrative expense.

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NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Unaudited (continued)

NOTE 11: DEBT AND OTHER OBLIGATIONS

Financing Obligation

On December 1, 2013, Kulicke & Soffa Pte Ltd. ("Pte"), the Company's wholly owned subsidiary, signed a lease with DBS Trustee Limited as trustee of Mapletree Industrial Trust (the "Landlord") to lease from the Landlord approximately 198,000 square feet, representing approximately 70% of a building in Singapore as our corporate headquarters, as well as a manufacturing, technology, sales and service center (the "Building"). The lease has a 10-year non-cancellable term (the "Initial Term") and contains options to renew for 2 further 10-year terms. The annual rent and service charge for the Initial Term range from \$4 million to \$5 million Singapore dollars.

Pursuant to ASC No. 840, Leases ("ASC 840"), we have classified the Building on our balance sheet as property, plant and equipment, which we are depreciating over its estimated useful life of 25 years. We concluded that the term of the financing obligation is 10 years. This is equal to the non-cancellable term of our lease agreement with the Landlord. At the inception of the lease, the asset and financing obligation recorded on the balance sheet was \$20.0 million, which was based on an interest rate of 6.3% over the Initial Term. As of March 31, 2018, the financing obligation related to the Building is \$17.0 million, which approximates fair value (Level 2). The financing obligation will be settled through a combination of periodic cash rental payments and the return of the leased property at the expiration of the lease. We do not report rent expense for the property, which is deemed owned for accounting purposes. Rather, rental payments required under the lease are considered debt service and applied to the deemed landlord financing obligation and interest expense. The Building and financing obligation are being amortized in a manner that will not generate a gain or loss upon lease termination.

Credit Facilities and Bank Guarantees

On November 22, 2013, the Company obtained a \$5.0 million credit facility with Citibank in connection with the issuance of bank guarantees for operational purposes. As of March 31, 2018, the outstanding amount is \$3.5 million. In addition, the Company has other bank guarantees for operational purposes which are secured with corresponding deposits placed with the issuer banks. These amounts are shown as restricted cash in the Consolidated Condensed Balance Sheets.

On March 21, 2016, the Company entered into an Uncommitted Revolving Credit Agreement with United Overseas Bank Limited, New York Agency ("UOB"), providing for a \$25 million revolving credit facility (the "2016 Credit Facility"). The proceeds of the 2016 Credit Facility may be used for the Company's general corporate purposes. Upon expiration on March 20, 2018, the 2016 Credit Facility was not renewed.

NOTE 12: SHAREHOLDERS' EQUITY AND EMPLOYEE BENEFIT PLANS

Common Stock and 401(k) Retirement Plan

The Company has a 401(k) retirement plan (the "Plan") for eligible U.S. employees. The Plan allows for employee contributions and matching Company contributions from 4% to 6% based upon terms and conditions of the 401(k) Plan.

The following table reflects the Company's contributions to the Plan during the three and six months ended March 31, 2018 and April 1, 2017:

	Three months ended		Six months ended	
	March 31, 2018	April 1, 2017	March 31, 2018	April 1, 2017
(in thousands)				
Cash	\$ 352	\$ 504	\$ 853	\$ 917

Stock Repurchase Program

On August 15, 2017, the Company's Board of Directors authorized a program (the "Program") to repurchase up to \$100 million of the Company's common stock on or before August 1, 2020. The Company has entered into a written

trading plan under Rule 10b5-1 of the Exchange Act to facilitate repurchases under the Program. The Program may be suspended or discontinued at any time and is funded using the Company's available cash, cash equivalents and short-term investments. Under the Program, shares may be repurchased through open market and/or privately negotiated transactions at prices deemed appropriate by management. The timing and amount of repurchase transactions under the Program depend on market conditions as well as corporate and regulatory considerations. During the three and six months ended March 31, 2018, the Company repurchased a total of 0.9 million and 1.0 million shares of common stock under the Program at a cost of \$21.5 million and \$24.8 million, respectively. The stock repurchases were recorded in the periods they were delivered and accounted for as treasury stock in the Company's Consolidated

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NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Unaudited (continued)

Condensed Balance Sheet. The Company records treasury stock purchases under the cost method using the first-in, first-out (FIFO) method. Upon reissuance of treasury stock, amounts in excess of the acquisition cost are credited to additional paid-in capital. If the Company reissues treasury stock at an amount below its acquisition cost and additional paid-in capital associated with prior treasury stock transactions is insufficient to cover the difference between acquisition cost and the reissue price, this difference is recorded against retained earnings. As of March 31, 2018, our remaining stock repurchase authorization under the Program was approximately \$64.0 million.

Accumulated Other Comprehensive Income

The following table reflects accumulated other comprehensive income reflected on the Consolidated Condensed Balance Sheets as of March 31, 2018 and September 30, 2017:

(in thousands)	As of	
	March 31, 2018	September 30, 2017
Gain from foreign currency translation adjustments	\$10,014	\$ 2,422
Unrecognized actuarial loss on pension plan, net of tax	(1,761)	(1,736)
Unrealized gain on hedging	842	1,353
Accumulated other comprehensive income	\$9,095	\$ 2,039

Equity-Based Compensation

The Company has stockholder-approved equity-based employee compensation plans (the “Employee Plans”) and director compensation plans (the “Director Plans”) (collectively, the “Equity Plans”). As of March 31, 2018, 4.7 million shares of common stock are available for grant to its employees and directors under the 2017 Equity Plan, including previously registered shares that have been carried forward for issuance from the 2009 Equity Plan.

In general, stock options and time-based restricted stock awarded to employees vest annually over a three-year period provided the employee remains employed by the Company. The Company follows the non-substantive vesting method for stock options and recognizes compensation expense immediately for awards granted to retirement eligible employees, or over the period from the grant date to the date retirement eligibility is achieved.

Relative TSR Performance Restricted Stock (“Relative TSR PSU”) entitles the employee to receive common shares of the Company on the award vesting date, if market performance objectives that measure relative total shareholder return (“TSR”) are attained. Relative TSR is calculated based upon the 90-calendar day average price of the Company's stock as compared to specific peer companies that comprise the GICS (45301020) Semiconductor Index. TSR is measured for the Company and each peer company over a performance period, which is generally three years. Vesting percentages range from 0% to 200% of awards granted. The provisions of the market-based performance restricted stock are reflected in the grant date fair value of the award; therefore, compensation expense is recognized regardless of whether the market condition is ultimately satisfied. Compensation expense is reversed if the award is forfeited prior to the vesting date.

Special/Growth Performance Restricted Stock (“Special/Growth PSU”) entitles the employee to receive common shares of the Company on the three-year anniversary of the grant date (if employed by the Company) if revenue growth targets set by the Management Development and Compensation Committee (“MDCC”) of the Board of Directors on the date of grant are met. If revenue growth targets are not met, the Special/Growth PSUs do not vest. Certain Special/Growth PSUs vest based on achievement of strategic goals over a certain time period or periods set by the MDCC. If the strategic goals are not achieved, the Special/Growth PSUs do not vest.

Equity-based compensation expense recognized in the Consolidated Condensed Statements of Operations for the three and six months ended March 31, 2018 and April 1, 2017 was based upon awards ultimately expected to vest.

Following the early adoption of ASU 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting in this quarter, forfeitures have been accounted for when they occur.

The following table reflects restricted stock and common stock granted during the three and six months ended March 31, 2018 and April 1, 2017:

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NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Unaudited (continued)

	Three months ended		Six months ended	
(shares in thousands)	March 31, 2018	April 1, 2017	March 31, 2018	April 1, 2017
Time-based restricted stock	19	8	449	704
Relative TSR PSU	—	8	153	381
Special/Growth PSU	—	—	59	—
Common stock	8	11	17	25
Equity-based compensation in shares	27	27	678	1,110

The following table reflects total equity-based compensation expense, which includes restricted stock, stock options and common stock, included in the Consolidated Condensed Statements of Operations during the three and six months ended March 31, 2018 and April 1, 2017:

	Three months ended		Six months ended	
(in thousands)	March 31, 2018	April 1, 2017	March 31, 2018	April 1, 2017
Cost of sales	\$126	\$106	\$258	\$247
Selling, general and administrative	1,443	2,450	3,766	5,184
Research and development	653	522	1,307	1,249
Total equity-based compensation expense	\$2,222	\$3,078	\$5,331	\$6,680

The following table reflects equity-based compensation expense, by type of award, for the three and six months ended March 31, 2018 and April 1, 2017:

	Three months ended		Six months ended	
(in thousands)	March 31, 2018	April 1, 2017	March 31, 2018	April 1, 2017
Time-based restricted stock	\$1,678	\$2,044	\$3,813	\$4,533
Relative TSR PSU	\$252	\$855	975	1,788
Special/Growth PSU	97	—	153	—
Common stock	195	179	390	359
Total equity-based compensation expense	\$2,222	\$3,078	\$5,331	\$6,680

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NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Unaudited (continued)

NOTE 13: EARNINGS PER SHARE

Basic income per share is calculated using the weighted average number of shares of common stock outstanding during the period. Stock options and restricted stock are included in the calculation of diluted earnings per share, except when their effect would be anti-dilutive. For the six months ended March 31, 2018, 1.0 million shares of stock options and restricted stock were excluded due to the Company's net loss.

The following tables reflect a reconciliation of the shares used in the basic and diluted net income per share computation for the three months ended March 31, 2018 and April 1, 2017:

(in thousands, except per share data)	Three months ended			
	March 31, 2018		April 1, 2017	
	Basic	Diluted	As Restated Basic	Diluted
NUMERATOR:				
Net income	\$36,313	\$36,313	\$32,670	\$32,670
DENOMINATOR:				
Weighted average shares outstanding - Basic	70,361	70,361	70,964	70,964
Stock options		1		19
Time-based restricted stock		634		612
Market-based restricted stock		429		675
Weighted average shares outstanding - Diluted		71,425		72,270
EPS:				
Net income per share - Basic	\$0.52	\$0.52	\$0.46	\$0.46
Effect of dilutive shares		(0.01)		(0.01)
Net income per share - Diluted		\$0.51		\$0.45

(in thousands, except per share data)	Six months ended			
	March 31, 2018		April 1, 2017	
	Basic	Diluted	As Restated Basic	Diluted
NUMERATOR:				
Net (loss)/income	\$(33,215)	\$(33,215)	\$50,066	\$50,066
DENOMINATOR:				
Weighted average shares outstanding - Basic	70,467	70,467	70,909	70,909
Stock options		—		23
Time-based restricted stock		—		510
Market-based restricted stock		—		597
Weighted average shares outstanding - Diluted		70,467		72,039
EPS:				
Net (loss)/income per share - Basic	\$(0.47)	\$(0.47)	\$0.71	\$0.71
Effect of dilutive shares		—		(0.02)
Net (loss)/income per share - Diluted		\$(0.47)		\$0.69

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KULICKE AND SOFFA INDUSTRIES, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Unaudited (continued)

NOTE 14: INCOME TAXES

The following table reflects the provision for income taxes and the effective tax rate for the three and six months ended March 31, 2018 and April 1, 2017:

	Three months ended		Six months ended	
	April 1, 2017		April 1, 2017	
(dollar amounts in thousands)	March 31, 2018	As Restated	March 31, 2018	As Restated
Income tax expense	4,800	5,151	115,212	7,724
Effective tax rate	11.6 %	13.6 %	140.5 %	13.4 %

For the six months ended March 31, 2018, the effective income tax rate differed from the federal statutory tax rate primarily due to tax expense related to the enactment of the Tax Cuts and Jobs Act (the “Act”), foreign withholding taxes, and tax liabilities from foreign operations, partially offset by tax benefits from profits generated in foreign operations subject to a lower statutory tax rate than the federal rate, tax benefits from domestic research expenditures, foreign tax credit, and the impact of tax holidays.

For the six months ended April 1, 2017, the effective income tax rate differed from the federal statutory tax rate primarily due to tax benefits from profits in foreign operations subject to a lower statutory tax rate than the federal rate, tax benefits from domestic research expenditures, and the impact of tax holidays, partially offset by an increase for deferred taxes on unremitted earnings, foreign withholding taxes, and an increase in valuation allowance against certain foreign deferred tax assets.

The decrease in tax expense for the three months ended March 31, 2018 of \$4.8 million from the tax expense for the three months ended April 1, 2017 of \$5.2 million was primarily due to a decrease in the federal statutory tax rate and tax benefits from electing to claim a foreign tax credit reflected in the quarter, partially offset by higher quarter-to-date profits. The increase in tax expense for the six months ended March 31, 2018 of \$115.2 million from the tax expense for the six months ended April 1, 2017 of \$7.7 million, of which \$105.7 million was due to the enactment of the Act and the remaining amount primarily due to higher worldwide profits in the quarter, partially offset by a decrease in the federal statutory tax rate and tax benefits from electing to claim foreign tax credit reflected in the quarter.

The Company's future effective tax rate is affected by the enactment of the Act, by decrease in earnings in countries where it has lower statutory rates or increase in earnings in countries where it has higher statutory rates, by changes in the valuation of its deferred tax assets and liabilities, or by changes in tax laws, regulations, accounting principles, or interpretations thereof.

It is reasonably possible that the amount of the unrecognized tax benefit with respect to certain unrecognized tax positions will increase or decrease during the next 12 months due to the expected lapse of statutes of limitation and / or settlements of tax examinations. The Company is under income tax examination by tax authorities in domestic and certain foreign jurisdictions.

In the first quarter of fiscal 2018, excess tax benefits from stock based compensation of \$5.4 million, previously offset against deferred tax assets, were reflected in the consolidated balance sheets as a component of retained earnings as a result of the adoption of ASU 2016-09. Please refer to Note 12 for more details regarding the adoption of ASU 2016-09.

2017 Tax Cuts and Jobs Act

On December 22, 2017, the Tax Cuts and Jobs Act (the “Act”) was signed into legislation. The Act, among other changes, reduces the U.S. federal corporate tax rate from 35% to 21%, implements a modified territorial tax system that includes a one-time transition tax on deemed repatriation of previously untaxed accumulated earnings and profits of certain foreign subsidiaries, and creates new taxes on certain foreign-sourced earnings.

At December 30, 2017, the Company has reflected the income tax effects of the Act for which the accounting under Accounting Standards Codification Topic 740, Income Taxes is complete. For those items for which the accounting is not yet complete, but for which a reasonable estimate could be made, we have recorded the provisional tax expense in the Consolidated Condensed Statement of Operations. As described below, we have made a reasonable estimate of the effects on our existing deferred tax balances and the one-time transition tax. We recognized an aggregate net discrete tax provision of \$105.7 million, comprised primarily of approximately \$2.6 million from the re-measurement of U.S. deferred tax assets and liabilities using the relevant tax rate at which we expect them to reverse in the future and approximately \$103.2 million from the one-time transition tax on deemed repatriation of previously untaxed accumulated earnings and profits of certain foreign subsidiaries, net of deemed taxes paid. For the period ended March 31, 2018, there have been no other material changes to the provisional tax expense.

The discrete tax provision incorporates assumptions made based upon our current interpretation of the Act, existing laws and regulations, and information available through April 19, 2018. The final impact of the Act may differ significantly from this

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NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Unaudited (continued)

estimate, due to, among other things, changes in interpretations and assumptions made by the Company as a result of additional information, additional guidance that may be issued by the U.S. Department of the Treasury or any other relevant governing body. The accounting for the tax effects for the Act will be completed by December 22, 2018 in accordance with Staff Accounting Bulletin No. 118 ("SAB 118").

In addition, we will record the income tax effects of the global intangible low-taxed income ("GILTI") as well as all other changes enacted by the Act as incurred for fiscal years beginning after 2018 (our fiscal 2019).

Provisional Amounts

Deferred tax assets and liabilities: We have re-measured our U.S. deferred tax assets and liabilities based on the relevant tax rates at which they are expected to reverse, which is estimated to be at either at the blended tax rate of 24.5% (applicable for fiscal 2018) or 21% (applicable for fiscal 2019 and later). Because we are still analyzing certain aspects of the Act and refining our calculations, which could potentially affect the measurement of these balances and change our estimated deferred tax amounts, we have recorded a provisional amount related to the re-measurement of our deferred tax balance of \$2.6 million.

One-time transition tax: The one-time transition tax has been estimated based on our accumulated post-1986 deferred foreign income that has not previously been subject to U.S. income tax. Because we have not yet completed our calculation of the one-time transition tax, we have recorded a provisional income tax expense of \$103.2 million related to the one-time transition tax of our foreign subsidiaries. No additional U.S. income taxes have been provided for any remaining undistributed foreign earnings not subject to the transition tax or any additional outside basis difference inherent in these entities as these amounts continue to be indefinitely reinvested in foreign operations.

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NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Unaudited (continued)

NOTE 15: SEGMENT INFORMATION

Reportable segments are defined as components of an enterprise that engage in business activities for which discrete financial information is available and regularly reviewed by the chief operating decision maker in deciding how to allocate resources and to assess performance. The Company's Chief Executive Officer is the Company's chief operating decision maker. The chief operating decision-maker does not review discrete asset information.

In the fourth quarter of fiscal 2017, we reorganized our reporting structure into two reportable segments consisting of: (i) Capital Equipment; and (ii) APS. As a result of this re-alignment, the Company has aggregated twelve operating segments as of March 31, 2018, with six operating segments within the Capital Equipment reportable segment and six operating segments in the APS reportable segment. Subsequently, we have recasted financial results for the three and six months ended April 1, 2017 based on the revised segment structure. The change in the segments was a result of changes to our organizational structure initiated during the fourth quarter of fiscal 2017 to streamline business operations to improve profitability and competitiveness and reflects a change in the manner in which our chief operating decision maker reviews information to assess our performance and make decisions about resource allocation. As part of these actions, we transitioned to a new internal management structure whereby the operating management responsible for tools used to assemble semiconductor devices, including integrated circuits ("ICs"), high and low powered discrete devices, light-emitting diodes ("LEDs") and power modules, services, spares, maintenance, repair and upgrading operating segments was brought under common leadership in the APS segment. The restructuring actions were completed in fiscal year 2017. As a result of the reorganization, the Capital Equipment segment is comprised of the manufacturing and selling of ball bonders, wafer level bonders, wedge bonders, advanced packaging and electronic assembly solutions to semiconductor device manufacturers, IDMs, OSATs, other electronics manufacturers and automotive electronics suppliers.

The following table reflects operating information by segment for the three and six months ended March 31, 2018 and April 1, 2017:

(in thousands)	Three months ended		Six months ended	
	April 1,		April 1,	
	March 31, 2017		March 31, 2017	
	2018	As Restated	2018	As Restated
Net revenue:				
Capital Equipment	\$177,132	\$161,443	\$348,735	\$275,717
APS	44,640	38,170	86,728	73,535
Net revenue	221,772	199,613	435,463	349,252
Income from operations:				
Capital Equipment	28,863	30,708	58,844	42,854
APS	9,573	5,795	18,751	12,708
Income from operations	\$38,436	\$36,503	\$77,595	\$55,562

The following tables reflect capital expenditures, depreciation expense and amortization expense for the three and six months ended March 31, 2018 and April 1, 2017.

(in thousands)	Three months ended		Six months ended	
	April 1,		April 1,	
	March 31, 2018		March 31, 2018	
	2018	2017	2018	2017
Capital expenditures:				
Capital Equipment	\$2,044	\$10,358	\$3,879	\$11,484
APS	4,109	5,519	8,531	6,622

\$6,153 \$15,877 \$12,410 \$18,106

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NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Unaudited (continued)

	Three months ended		Six months ended	
(in thousands)	March 31, 2018	April 1, 2017	March 31, 2018	April 1, 2017
Depreciation expense:				
Capital Equipment	\$1,887	\$1,484	\$3,675	\$3,061
APS	835	826	1,572	1,670
	\$2,722	\$2,310	\$5,247	\$4,731
Amortization expense:				
Capital Equipment	\$1,092	\$593	\$2,135	\$1,187
APS	930	928	1,830	1,857
	\$2,022	\$1,521	\$3,965	\$3,044

NOTE 16: COMMITMENTS, CONTINGENCIES AND CONCENTRATIONS

Warranty Expense

The Company's equipment is generally shipped with a one-year warranty against manufacturing defects. The Company establishes reserves for estimated warranty expense when revenue for the related equipment is recognized. The reserve for estimated warranty expense is based upon historical experience and management's estimate of future warranty costs, including product part replacement, freight charges and labor costs incurred in correcting product failures during the warranty period.

The following table reflects the reserve for warranty activity for the three and six months ended March 31, 2018 and April 1, 2017 has been adjusted for the restatement described in Note 2, "Restatement of Consolidated Financial Statements":

	Three months ended		Six months ended	
(in thousands)	March 31, 2018	April 1, 2017	March 31, 2017	April 1, 2017
		As Restated		As Restated
Reserve for warranty, beginning of period (As Restated)	\$13,692	\$12,832	\$13,796	\$12,544
Provision for warranty	3,220	3,127	6,180	5,728
Utilization of reserve	(2,715)	(2,670)	(5,779)	(4,983)
Reserve for warranty, end of period	\$14,197	\$13,289	\$14,197	\$13,289

Other Commitments and Contingencies

The following table reflects obligations not reflected on the Consolidated Condensed Balance Sheet as of March 31, 2018:

		Payments due by fiscal year				
(in thousands)	Total	2018	2019	2020	2021	thereafter
Inventory purchase obligation (1)	\$180,447	\$180,447	\$—	\$—	\$—	\$—
Operating lease obligations (2)	18,601	1,737	3,178	2,839	1,930	8,917
Total	\$199,048	\$182,184	\$3,178	\$2,839	\$1,930	\$8,917

(1) The Company orders inventory components in the normal course of its business. A portion of these orders are non-cancellable, however, some orders impose varying penalties and charges in the event of cancellation.

(2)

The Company has minimum rental commitments under various leases (excluding taxes, insurance, maintenance and repairs, which are also paid by the Company) primarily for various facility and equipment leases, which expire periodically through 2023 (not including lease extension options, if applicable).

Pursuant to ASC No. 840, Leases, for lessee's involvement in asset construction, the Company was considered the owner of the Building during the construction phase. The Building was completed on December 1, 2013 and Pte signed an agreement with the Landlord to lease from the Landlord approximately 198,000 square feet, representing approximately 70% of the Building. Following the completion of construction, we performed a sale-leaseback analysis pursuant to ASC 840-40 and determined that because of our continuing involvement, ASC 840-40 precluded us from derecognizing the asset and associated financing obligation. As such, we reclassified the asset from construction in progress to property,

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KULICKE AND SOFFA INDUSTRIES, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Unaudited (continued)

plant and equipment and began to depreciate the building over its estimated useful life of 25 years. We concluded that the term of the financing obligation is 10 years. This is equal to the non-cancellable term of our lease agreement with the Landlord. As of March 31, 2018, we recorded a financing obligation related to the Building of \$17.0 million (see Note 11 above). The financing obligation is not reflected in the table above.

Concentrations

There is no significant customer that represents 10% or more of our net revenue for the six months ended March 31, 2018 and April 1, 2017.

The following table reflects significant customer concentrations as a percentage of total accounts receivable as of March 31, 2018 and April 1, 2017:

	As of	
	March 31,	April 1,
	2018	2017
Super Power International Ltd ⁽¹⁾	17.9 %	10.6 %
Siliconware Precision Industries Ltd.	14.5 %	*
Haoseng Industrial Company Limited ⁽¹⁾	10.8 %	11.8 %

(1) Distributor of the Company's products.

* Represented less than 10% of total accounts receivable

NOTE 17: SUBSEQUENT EVENTS

On May 3, 2018, the Company entered into foreign exchange forward contracts with notional amount of \$10.9 million. The Company entered into these foreign exchange forward contracts to hedge a portion of our forecasted foreign currency-denominated expenses in the normal course of business and, accordingly, they are not speculative in nature.

On April 10, 2018, the unauthorized payment of \$5.8 million, as discussed in Note 2 of Item 1, was recovered in full by the Company and recorded as other receivables as at March 31, 2018.

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Item 2. - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

In addition to historical information, this filing contains statements relating to future events or our future results. These statements are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and are subject to the safe harbor provisions created by statute. Such forward-looking statements include, but are not limited to, our future revenue, sustained, increasing, continuing or strengthening, or decreasing or weakening, demand for our products, replacement demand, our research and development efforts, our ability to identify and realize new growth opportunities, our ability to control costs and our operational flexibility as a result of (among other factors):

- projected growth rates in the overall semiconductor industry, the semiconductor assembly equipment market, and the market for semiconductor packaging materials; and

- projected demand for ball, wedge bonder, advanced packaging and electronic assembly equipment and for tools, spare parts and services.

Generally, words such as "may," "will," "should," "could," "anticipate," "expect," "intend," "estimate," "plan," "continue," "g," "believe," or the negative of or other variations on these and other similar expressions identify forward-looking statements. These forward-looking statements are made only as of the date of this filing. We do not undertake to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

Forward-looking statements are based on current expectations and involve risks and uncertainties. Our future results could differ significantly from those expressed or implied by our forward-looking statements. These risks and uncertainties include, without limitation, those described below and under the heading "Risk Factors" in our amended Annual Report on Form 10-K/A for the fiscal year ended September 30, 2017 (the "Annual Report") and our other reports and registration statements filed from time to time with the Securities and Exchange Commission. This discussion should be read in conjunction with the Consolidated Condensed Financial Statements and Notes included in this report, as well as our audited financial statements included in the Annual Report.

We operate in a rapidly changing and competitive environment. New risks emerge from time to time and it is not possible for us to predict all risks that may affect us. Future events and actual results, performance and achievements could differ materially from those set forth in, contemplated by or underlying the forward-looking statements, which speak only as of the date on which they were made. Except as required by law, we assume no obligation to update or revise any forward-looking statement to reflect actual results or changes in, or additions to, the factors affecting such forward-looking statement. Given those risks and uncertainties, investors should not place undue reliance on forward-looking statements as predictions of actual results.

OVERVIEW

Kulicke and Soffa Industries, Inc. ("We", the "Company" or "K&S") designs, manufactures and sells capital equipment and tools used to assemble semiconductor devices, including integrated circuits ("ICs"), high and low powered discrete devices, light-emitting diodes ("LEDs"), and power modules. We also service, maintain, repair and upgrade our equipment. Our customers primarily consist of semiconductor device manufacturers, integrated device manufacturers ("IDMs"), outsourced semiconductor assembly and test providers ("OSATs"), other electronics manufacturers and automotive electronics suppliers.

Our goal is to be the technology leader and the most competitive supplier in terms of cost and performance in each of our major product lines. Accordingly, we invest in research and engineering projects intended to enhance our position as a leader in the semiconductor assembly technology. We also remain focused on our cost structure through continuous improvement and optimization of operations. Cost reduction efforts are an important part of our normal ongoing operations and are intended to generate savings without compromising overall product quality and service levels.

In fiscal 2017, we reorganized our reporting structure into two reportable segments consisting of: (i) Capital Equipment; and (ii) Aftermarket Products and Services ("APS"). As a result of this re-alignment, the Company has

aggregated twelve operating segments as of March 31, 2018, with six operating segments within the Capital Equipment reportable segment and six operating segments in the APS reportable segment. Subsequently, we have recasted reportable segment information to reflect the current segment structure and conform to the current period presentation. The change in the segments was a result of changes to our organizational structure initiated during fiscal 2017 to streamline business operations to improve profitability and competitiveness and reflects a change in the manner in which our chief operating decision maker reviews information to assess our performance and make decisions about resource allocation. As part of these actions, we transitioned to a new internal management structure whereby the operating management responsible for tools used to assemble semiconductor devices, including integrated circuits (“ICs”), high and low powered discrete devices, light-emitting diodes (“LEDs”) and power modules, services, spares, maintenance,

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repair and upgrading operating segments was brought under common leadership in the APS segment. The restructuring actions were completed in fiscal year 2017. As a result of the reorganization, the Capital Equipment segment is comprised of the manufacturing and selling of ball bonders, wafer level bonders, wedge bonders, advanced packaging and electronic assembly solutions to semiconductor device manufacturers, IDMs, OSATs, other electronics manufacturers and automotive electronics suppliers.

For further information on our operating segments and the reorganization actions, please refer to Note 15, "Segment Information," to our Consolidated Condensed Financial Statements included under Item 1. Our prior period reportable segment information has been recasted to reflect the current segment structure and conform to the current period presentation.

Business Environment

The semiconductor business environment is highly volatile and is driven by internal dynamics, both cyclical and seasonal, in addition to macroeconomic forces. Over the long term, semiconductor consumption has historically grown, and is forecast to continue to grow. This growth is driven, in part, by regular advances in device performance and by price declines that result from improvements in manufacturing technology. In order to exploit these trends, semiconductor manufacturers, both IDMs and OSATs, periodically invest aggressively in latest generation capital equipment. This buying pattern often leads to periods of excess supply and reduced capital spending—the so-called semiconductor cycle. Within this broad semiconductor cycle there are also, generally weaker, seasonal effects that are specifically tied to annual, end-consumer purchasing patterns. Typically, semiconductor manufacturers prepare for heightened demand by adding or replacing equipment capacity by the end of the September quarter. Occasionally, this results in subsequent reductions in the December quarter. This annual seasonality can be overshadowed by effects of the broader semiconductor cycle. Macroeconomic factors also affect the industry, primarily through their effect on business and consumer demand for electronic devices, as well as other products that have significant electronic content such as automobiles, white goods, and telecommunication equipment.

Our Capital Equipment segment is primarily affected by the industry's internal cyclical and seasonal dynamics in addition to broader macroeconomic factors that can positively or negatively affect our financial performance. The sales mix of IDM and OSAT customers in any period also impacts financial performance, as changes in this mix can affect our products' average selling prices and gross margins due to differences in volume purchases and machine configurations required by each customer type.

Our APS segment has historically been less volatile than our Capital Equipment segment. APS sales are more directly tied to semiconductor unit consumption rather than capacity requirements and production capability improvements. We continue to position our business to leverage our research and development leadership and innovation and to focus our efforts on mitigating volatility, improving profitability and ensuring longer-term growth. We remain focused on operational excellence, expanding our product offerings and managing our business efficiently throughout the business cycles. Our visibility into future demand is generally limited, forecasting is difficult, and we generally experience typical industry seasonality.

To limit potential adverse cyclical, seasonal and macroeconomic effects on our financial position, we have continued our efforts to maintain a strong balance sheet. As of March 31, 2018, our total cash, cash equivalents, restricted cash and short-term investments were \$628.7 million, a \$19.7 million increase from the prior fiscal year end. We believe this strong cash position will allow us to continue to invest in product development and pursue non-organic opportunities.

Technology Leadership

We compete largely by offering our customers advanced equipment and expendable tools available for the interconnect processes. We believe our technology leadership contributes to the strong market positions of our ball bonder, wedge bonder and expendable tools products. To maintain our competitive advantage, we invest in product development activities designed to produce improvements to existing products and to deliver next-generation products. These investments often focus as much on improvements in the semiconductor assembly process as on specific pieces of assembly equipment or expendable tools. In order to generate these improvements, we typically work in close collaboration with customers, end users, and other industry members. In addition to producing technical advances, these collaborative development efforts strengthen customer relationships and enhance our reputation as a

technology leader and solutions provider.

In addition to gold, silver alloy wire and aluminum wire, our leadership in the industry's use of copper wire for the bonding process is an example of the benefits of our collaborative efforts. By working with customers, material suppliers, and other equipment suppliers, we have developed a series of robust, high-yielding production processes, which have made copper wire widely accepted and significantly reduced the cost of assembling an integrated circuit. Our leadership also has allowed us to maintain a competitive position in the latest generations of gold and copper ball bonders, which enables our customers to handle the leading technologies in terms of bond pad pitch, silicon with the latest node and complex wire bonding requirement. We continue to see demand for our large bondable area ("LA" and "ELA") configured machines. Both

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LA and ELA option are now available on all of our Power Series ("PS") models and allow our customers to gain added efficiencies and to reduce the cost of packaging.

We optimize our bonder platforms to deliver variants of our products to serve emerging high-growth markets. For example, we have developed extensions of our main ball bonding platforms (IConn^{PS} MEM PLUS) to address opportunities in memory assembly, in particular for NAND Flash storage.

Our leading technology for wedge bonder equipment uses ribbon or heavy wire for different applications such as power electronics, automotive and semiconductor applications. The advanced interconnect capabilities of PowerFusion^{PS} improve the processing of high-density power packages, due to an expanded bondable area, wider leadframe capability, indexing accuracy and teach mode. In all cases, we are making a concerted effort to develop commonality of subsystems and design practices, in order to improve performance and design efficiencies. We believe this will benefit us as it increases synergies between the various engineering product groups. Furthermore, we continually research adjacent market segments where our technologies could be used. Many of these initiatives are in the early stages of development and some have yielded results.

Another example of our developing equipment for high-growth niche markets is our AT Premier PLUS. This machine utilizes a modified wire bonding process to mechanically place bumps on devices in a wafer format, for variants of the flip chip assembly process. Typical applications include complementary metal-oxide semiconductor ("CMOS") image sensors, surface acoustical wave ("SAW") filters and high brightness LEDs. These applications are commonly used in most, if not all, smartphones available today in the market. We also have expanded the use of AT Premier PLUS for wafer level wire bonding for micro-electro-mechanical systems ("MEMS") and other sensors.

Our technology leadership and bonding process know-how have enabled us to develop highly function-specific equipment with high throughput and accuracy. This forms the foundation for our advanced packaging equipment development. We established a dedicated team to develop and manufacture advanced packaging bonders for the emerging 2.5 dimensional integrated circuit ("2.5D IC") and 3 dimensional integrated circuit ("3D IC") markets. By reducing the interconnect dimensions, 2.5D ICs and 3D ICs are expected to provide form factor, performance and power efficiency enhancements over traditional flip-chip packages in production today. High-performance processing and memory applications, in addition to mobile devices such as smartphones and tablets, are anticipated to be earlier adopters of this new packaging technology.

We have also broadened our advanced packaging solutions for mass reflow to include flip chip, wafer level packaging ("WLP"), fan-out wafer level packaging ("FOWLP"), advanced package-on-package, embedded die, and System-in-Package ("SiP"). These solutions enable us to diversify our business while further expanding market reach into the automotive, LED lighting, medical and industrial segments with electronic assembly solutions.

We bring the same technology focus to our APS business, driving tool design and manufacturing technology to optimize the performance and process capability of the equipment in which our tools are used. For all our equipment products, expendable tools are an integral part of their process capability. We believe our unique ability to simultaneously develop both equipment and tools, spare parts and services is a core strength supporting our products' technological differentiation.

Products and Services

The following tables reflect net revenue by business segment for the three and six months ended March 31, 2018 and April 1, 2017:

	Three months ended			
	March 31, 2018		April 1, 2017	
(dollar amounts in thousands)	Net revenues	% of total net revenue	Net revenues	% of total net revenue
Capital Equipment	\$177,132	79.9 %	\$161,443	80.9 %
APS	44,640	20.1 %	38,170	19.1 %
	\$221,772	100.0%	\$199,613	100.0%

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	Six months ended			
	March 31, 2018		April 1, 2017	
(dollar amounts in thousands)	Net revenues	% of total net revenue	Net revenues	% of total net revenue
Capital Equipment	\$348,735	80.1 %	\$275,717	78.9 %
APS	86,728	19.9 %	73,535	21.1 %
	\$435,463	100.0 %	\$349,252	100.0 %

Capital Equipment Segment

In our Capital Equipment segment, we manufacture and sell a line of ball bonders, wafer level bonders, wedge bonders, advanced packaging and electronic assembly solutions that are sold to semiconductor device manufacturers, IDMs, OSATs, other electronics manufacturers and automotive electronics suppliers.

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Our principal Capital Equipment segment products include:

Business Line	Product Name (1)	Typical Served Market
Ball bonders	IConn ^{PS} PLUS series (2) (3) (4)	Advanced and ultra fine pitch applications
	IConn ^{PS} ProCu PLUS series (2) (3) (4)	High-end copper wire applications demanding advanced process capability and high productivity
	IConn ^{PS} MEM PLUS series (2) (3) (4)	Memory applications
	ConnX ^{PS} PLUS series (2) (3) (4)	Bonder for low-to-medium pin count applications
	ConnX ^{PS} LED PLUS (2) (3) (4)	LED applications
	ConnX ^{PS} ELITE (2) (3) (4)	Bonder for discrete and low pin count applications
	RAPID Pro (2) (3) (4)	Wire applications demanding real-time monitoring and diagnostics
	OptoLux	LED applications
Wedge bonders	3600PLUS	Power hybrid and automotive modules using either heavy aluminum wire or PowerRibbon®
	3700PLUS	Hybrid and automotive modules using thin aluminum wire
	PowerFusion ^{PS} TL	Power semiconductors using either aluminum wire or PowerRibbon®
	PowerFusion ^{PS} HL	Smaller power packages using either aluminum wire or PowerRibbon®
	PowerFusion ^{PS} HLx	Smaller power packages using either aluminum wire or PowerRibbon® requiring wide leadframe processing
	Asterion	Power hybrid and automotive modules with extended area using heavy and thin aluminum
	Asterion EV	Extended area for battery bonding and dual lane hybrid module bonding
Advanced Packaging	AT Premier PLUS	Advanced wafer level bonding application
	APAMA C2S	Thermo-compression for chip-to-substrate, chip-to-chip and high accuracy flip chip ("HA FC") bonding applications
	APAMA C2W	Thermo-compression for chip-to-wafer, HA FC and high density fan-out wafer level packaging ("HD FOWLP") bonding applications

APAMA DA	High performance and productivity die attach bonder for single or stack die bonding
LITEQ 500A	Lithographic stepper for the formation of redistribution layer ("RDL") in FOWLP, fan-in wafer level packaging ("FIWLP") and flip chip ("FC")
LITEQ 500B	Lithographic stepper for the formation of RDL in FOWLP, FIWLP and FC with higher throughput
Hybrid Series	Advanced packages assembly applications requiring high throughput such as flip chip, WLP, FOWLP, embedded die, SiP, package-on-package ("POP"), and modules
(1) Power Series ("PS") (2) Standard version (3) Large area version (4) Extended large area version	

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Business Line	Product Name (1)	Typical Served Market
Electronics Assembly	iX Series	Advanced Surface Mount Technology ("SMT") applications requiring extremely high output of passive and active components
	iFlex Series	Advanced SMT applications requiring multi-lane or line balancing solutions for standard or oddform passive and active components

Ball Bonders

Automatic ball bonders represent the largest portion of our semiconductor equipment business. Our portfolio of ball bonding products includes:

- The IConn^{PS} PLUS series: high-performance ball bonders which can be configured for either gold or copper wire.
- The IConn^{PS} ProCu PLUS series: high-performance copper wire ball bonders for advanced wafer nodes.
- The IConn^{PS} MEM PLUS series: ball bonders designed for the assembly of stacked memory devices.
- The ConnX^{PS} PLUS series: cost-performance ball bonders which can be configured for either gold or copper wire.
- The ConnX^{PS} LED PLUS and Optolux: ball bonders targeted specifically at the fast growing LED market.
- ConnX^{PS} ELITE: ball bonders for discrete and low pin count applications.
- RAPID Pro: ball bonders for applications demanding real-time monitoring and diagnostics.

Our ball bonders are capable of performing very fine pitch bonding, as well as creating the complex loop shapes needed in the assembly of advanced semiconductor packages and bonding on the latest silicon. Most of our installed base of gold wire bonders can also be retrofitted for copper applications through kits we sell separately.

We also offer an integrated CIS line solution utilizing our ball bonders and APAMA DA. The CIS line is an integrated line solution combining our ball bonders and APAMA DA into a single line along with an oven and buffer. It provides a complete solution to CMOS Image Sensor manufacturers where the sensors can be attached and wire-bonded onto substrates on the same line before final lens assembly.

Wedge Bonders

We design and manufacture wedge bonders for the power semiconductor and automotive markets. Wedge bonders may use either aluminum wire or aluminum ribbon to connect semiconductor chips in power packages, power hybrids and automotive modules for products such as motor control modules or inverters for hybrid cars. In addition, our wedge bonder products can be used in the high reliability interconnections of rechargeable batteries in hybrid and electric automotive applications.

Our portfolio of wedge bonding products includes:

- The 3600PLUS: high speed, high accuracy wire bonders designed for power modules, automotive packages and other heavy wire multi-chip module applications.
- The 3700PLUS: wire bonders designed for hybrid and automotive modules using thin aluminum wire.
- The PowerFusion^{PS} Semiconductor Wedge Bonders - Configurable in single, dual and multi-head configurations using aluminum wire and PowerRibbonTM:
- The PowerFusion^{PS} TL: designed for single row leadframe and high volume power semiconductor applications.
- The PowerFusion^{PS} HL and PowerFusion^{PS} HLx: designed for advanced power semiconductor applications.
- The AsterionTM and AsterionTM EV: latest generation hybrid wedge bonder designed for larger area, higher speed and accuracy wedge bonders for power modules, automotive packages, battery applications and other aluminum wedge interconnect applications.

While wedge bonding traditionally utilizes aluminum wire, all of our wedge bonders may be modified to bond aluminum ribbon using our proprietary PowerRibbon[®] process. Aluminum ribbon offers device makers performance advantages over traditional round wire and is increasingly used for high current packages and automotive applications. Our PowerFusion^{PS} series are driven by new powerful direct-drive motion systems and expanded pattern recognition capabilities. PowerFusion^{PS} series improve the processing of high-density power packages, due to an expanded bondable area, wider leadframe capability, indexing accuracy and teach mode.

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Advanced Packaging

Our AT Premier PLUS utilize a modified wire bonding process to mechanically place bumps on devices, while still in a wafer format for variants of the flip chip assembly process. Typical applications include CMOS image sensors, SAW filters, MEMS and high brightness LEDs. These applications are commonly used in most, if not all, smartphones available today in the market.

Our APAMA (Advanced Packaging with Adaptive Machine Analytics) C2S (chip-to-substrate) bonder is designed for high accuracy and high throughput flip chip, thermo-compression bonding ("TCB") applications. It delivers die-stacking solutions for 2.5D and 3D or through silicon via ("TSV") ICs.

Our APAMA Chip-to-Wafer ("C2W") bonder enables APAMA's high throughput architecture to be applied to 2.5D and 3D packages using silicon or glass interposers. The C2W dual head system also provides an adaptable manufacturing platform addressing applications which require highly accurate die placement such as High Density FOWLP. The C2W platform, combined with the capacity of the C2S platform, enables the APAMA TCB systems to support assembly for the full range of stacked TSV products.

Our Hybrid series broadens our advanced packaging product offering with solutions for flip chip, WLP, FOWLP, POP, embedded die, SiP and modules markets.

Our APAMA DA provides high-accuracy and high-throughput die attach targeting advanced single and multi-die applications supporting the image sensor, memory as well as other advanced packaging markets.

With the acquisition of Liteq, we have broadened our product offering with Lithographic stepper typically used for the formation of RDL in FOWLP, FIWLP and FC.

Electronic Assembly

Our iX and iFlex series machines enable us to diversify our business with SMT placement technologies, thereby expanding market reach into the automotive, LED lighting, medical and industrial segments with Electronic Assembly solutions.

APS Segment

In our APS segment, we manufacture and sell a variety of tools for a broad range of semiconductor packaging applications. Our principal APS segment products include:

Capillaries: expendable tools used in ball bonders. Made of ceramic and other elements, a capillary guides the wire during the ball bonding process. Its features help control the bonding process. We design and build capillaries suitable for a broad range of applications, including for use on our competitors' equipment. In addition to capillaries used for gold wire bonding, we have developed capillaries for use with copper wire to achieve optimal performance in copper wire bonding.

Dicing blades: expendable tools used by semiconductor manufacturers to cut silicon wafers into individual semiconductor die or to cut packaged semiconductor units into individual units.

Bonding wedges: expendable tools used in heavy wire wedge bonders. Wedge tools are used for both wire and ribbon applications.

We also offer spare parts, equipment repair, maintenance and servicing, training services, and upgrades for our equipment.

Our K&S Care service is designed to help customers operate their machines at an optimum level under the care of our trained specialists. K&S Care includes a range of programs, offering different levels of service depending on customer needs.

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RESULTS OF OPERATIONS

The following tables reflect our income from operations for the three and six months ended March 31, 2018 and April 1, 2017:

(dollar amounts in thousands)	Three months ended				
	April 1,				
	March 31, 2017		\$	%	
	2018	As Restated	Change	Change	
Net revenue	\$221,772	\$199,613	\$22,159	11.1	%
Cost of sales	122,325	107,350	14,975	13.9	%
Gross profit	99,447	92,263	7,184	7.8	%
Selling, general and administrative	32,354	30,740	1,614	5.3	%
Research and development	28,657	25,020	3,637	14.5	%
Operating expenses	61,011	55,760	5,251	9.4	%
Income from operations	\$38,436	\$36,503	\$1,933	5.3	%

(dollar amounts in thousands)	Six months ended				
	April 1,				
	March 31, 2017		\$	%	
	2018	As Restated	Change	Change	
Net revenue	\$435,463	\$349,252	\$86,211	24.7	%
Cost of sales	238,814	188,562	50,252	26.7	%
Gross profit	196,649	160,690	35,959	22.4	%
Selling, general and administrative	60,147	58,603	1,544	2.6	%
Research and development	58,907	46,525	12,382	26.6	%
Operating expenses	119,054	105,128	13,926	13.2	%
Income from operations	\$77,595	\$55,562	\$22,033	39.7	%

Our net revenues for the three and six months ended March 31, 2018 increased as compared to our net revenues for the three and six months ended April 1, 2017. The increase in net revenue was primarily due to higher volume as a result of higher demand from our customers, particularly in our Capital Equipment segment, due to growing market demand in consumer, enterprise, automotive and industrial applications.

The semiconductor industry is volatile and our operating results have fluctuated significantly in the past and are expected to continue to do so in the future.

Net Revenue

Approximately 96.0% and 90.5% of our net revenue for the three months ended March 31, 2018 and April 1, 2017, respectively, was for shipments to customer locations outside of the U.S., primarily in the Asia/Pacific region. In the Asia/Pacific region, our customer base is also becoming more geographically concentrated as a result of economic and industry conditions. Approximately 45.5% and 44.0% of our net revenue for the three months ended March 31, 2018 and April 1, 2017, respectively, was for shipments to customers located in China.

Likewise, approximately 90.0% and 91.5% of our net revenue for the six months ended March 31, 2018 and April 1, 2017, respectively, was for shipments to customer locations outside of the U.S., primarily in the Asia/Pacific region. Approximately 42.9% of our net revenue for the six months ended March 31, 2018 and April 1, 2017, respectively, was for shipments to customers located in China.

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The following tables reflect net revenue by business segment for the three and six months ended March 31, 2018 and April 1, 2017:

(dollar amounts in thousands)	Three months ended			
	March 31, 2018	April 1, 2017	\$ Change	% Change
Capital Equipment	\$177,132	\$161,443	\$15,689	9.7 %
APS	44,640	38,170	6,470	17.0 %
Total net revenue	\$221,772	\$199,613	\$22,159	11.1 %
(dollar amounts in thousands)	Six months ended			
	March 31, 2018	April 1, 2017	\$ Change	% Change
Capital Equipment	\$348,735	\$275,717	\$73,018	26.5 %
APS	86,728	73,535	13,193	17.9 %
Total net revenue	\$435,463	\$349,252	\$86,211	24.7 %

Capital Equipment
The following table reflects the components of Capital Equipment net revenue change between the three and six months ended March 31, 2018 and April 1, 2017:

March 31, 2018 vs. April 1, 2017						
(in thousands)	Three months ended			Six months ended		
	Price	Volume	\$ Change	Price	Volume	\$ Change
Capital Equipment	\$(7,002)	\$22,691	\$15,689	\$(7,693)	\$80,711	\$73,018

For the three and six months ended March 31, 2018, the higher Capital Equipment net revenue as compared to the prior year period was primarily due to higher volume. The higher sales volume was primarily due to growing market demand in consumer, enterprise, automotive and industrial applications. The higher sales volume was partially offset by unfavorable price variance due to competition in the LED and IC markets.

APS

The following table reflects the components of APS net revenue change between the three and six months ended March 31, 2018 and April 1, 2017:

March 31, 2018 vs. April 1, 2017						
(in thousands)	Three months ended			Six months ended		
	Price	Volume	\$ Change	Price	Volume	\$ Change
APS	\$(173)	\$6,643	\$6,470	\$(299)	\$13,492	\$13,193

For the three and six months ended March 31, 2018, the higher APS net revenue as compared to prior year period was primarily due to higher contribution from sales of capillaries, spares and wedge bonder consumables.

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Gross Profit

The following tables reflect gross profit by reportable segment for the three and six months ended March 31, 2018 and April 1, 2017:

	Three months ended		April 1, 2017			
(dollar amounts in thousands)	March 31, 2018	As Restated	March 31, 2017	As Restated	\$ Change	% Change
Capital Equipment	\$74,727	\$70,204	\$74,727	\$70,204	\$4,523	6.4 %
APS	24,720	22,059	24,720	22,059	2,661	12.1 %
Total gross profit	\$99,447	\$92,263	\$99,447	\$92,263	\$7,184	7.8 %
	Six months ended		April 1, 2017			
(dollar amounts in thousands)	March 31, 2018	As Restated	March 31, 2017	As Restated	\$ Change	% Change
Capital Equipment	\$149,311	\$118,220	\$149,311	\$118,220	\$31,091	26.3 %
APS	47,338	42,470	47,338	42,470	4,868	11.5 %
Total gross profit	\$196,649	\$160,690	\$196,649	\$160,690	\$35,959	22.4 %

The following tables reflect gross profit as a percentage of net revenue by reportable segments for the three and six months ended March 31, 2018 and April 1, 2017:

	Three months ended		April 1, 2017		
	March 31, 2018	As Restated	March 31, 2017	As Restated	Basis Point Change
Capital Equipment	42.2 %	43.5 %	42.2 %	43.5 %	(130)
APS	55.4 %	57.8 %	55.4 %	57.8 %	(240)
Total gross margin	44.8 %	46.2 %	44.8 %	46.2 %	(140)
	Six months ended		April 1, 2017		
	March 31, 2018	As Restated	March 31, 2017	As Restated	Basis Point Change
Capital Equipment	42.8 %	42.9 %	42.8 %	42.9 %	(10)
APS	54.6 %	57.8 %	54.6 %	57.8 %	(320)
Total gross margin	45.2 %	46.0 %	45.2 %	46.0 %	(80)

Capital Equipment

The following table reflects the components of Capital Equipment gross profit change between the three and six months ended March 31, 2018 and April 1, 2017:

March 31, 2018 vs. April 1, 2017							
As Restated							
	Three months ended				Six months ended		
(in thousands)	Price	Cost	Volume	\$ Change	Price	Cost	\$ Change

Capital Equipment \$(7,002) \$1,854 \$9,671 \$4,523 \$(7,693) \$1,441 \$37,343 \$31,091

For the three and six months ended March 31, 2018, the higher Capital Equipment gross profit as compared to the prior year period was primarily due to higher volume and lower cost. The higher sales volume was primarily due to growing market demand in consumer, enterprise, automotive and industrial applications. The lower cost was primarily due to favorable product mix. The higher sales volume and lower cost were partially offset by unfavorable price variance due to competition in LED and IC markets.

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APS

The following table reflects the components of APS gross profit change between the three and six months ended March 31, 2018 and April 1, 2017:

March 31, 2018 vs. April 1, 2017							
Three months ended				Six months ended			
(in thousands)	Price	Cost	Volume \$ Change	Price	Cost	Volume \$ Change	
APS	\$(172)	\$ 86	\$ 2,747	\$ 2,661	\$(299)	\$ 529	\$ 4,638

For the three and six months ended March 31, 2018, the higher APS gross profit as compared to prior year period was primarily due to higher contribution from sales of capillaries, spares and wedge bonder consumables.

Operating Expenses

The following tables reflect operating expenses as a percentage of net revenue for the three and six months ended March 31, 2018 and April 1, 2017:

	Three months ended		Basis point	
	April 1, 2017		change	
	March 31, 2018		As Restated	
Selling, general & administrative	14.6%	15.4%	(80)	)
Research & development	12.9%	12.5%	40	
Total	27.5%	27.9%	(40)	)
	Six months ended		Basis point	
	April 1, 2017		change	
	March 31, 2018		As Restated	
Selling, general & administrative	13.8%	16.8%	(300)	)
Research & development	13.5%	13.3%	20	
Total	27.3%	30.1%	(280)	)

Selling, General and Administrative ("SG&A")

For the three months ended March 31, 2018, higher SG&A expenses as compared to prior year period was primarily due to the inclusion of \$1.1 million from the recently acquired Lithography business, \$0.9 million lower net gain on disposal of fixed assets, \$0.7 million higher professional fees due to internal investigation (see Note 2 of Item 1 for details) and \$0.5 million of net provision of doubtful debt. These were partially offset by \$1.4 million lower net unfavorable variance in foreign exchange.

For the six months ended March 31, 2018, higher SG&A expenses as compared to prior year period was primarily due to the inclusion of \$2.0 million from the recently acquired Lithography business, \$1.2 million severance payments, \$0.9 million lower net gain on disposal of fixed assets and \$0.9 million of net provision of doubtful debt, \$0.8 million recovery of insurance claims in prior period and \$0.7 million higher professional fees due to internal investigation (see Note 2 of Item 1 for details). These were partially offset by \$4.7 million lower staff costs.

Research and Development ("R&D")

For the three and six months ended March 31, 2018, higher R&D expenses as compared to prior year period was primarily due to higher staff costs, higher investment in the development of Advanced Packaging products and inclusion of R&D expenses from the recently acquired Lithography business.

Interest Income and Expense

The following tables reflect interest income and interest expense for the three and six months ended March 31, 2018 and April 1, 2017:

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	Three months ended			
(dollar amounts in thousands)	March 31, 2018	April 1, 2017	\$ Change	% Change
Interest income	\$2,986	\$1,579	\$ 1,407	89.1 %
Interest expense	\$(270)	\$(261)	\$(9)	3.4 %

	Six months ended			
(dollar amounts in thousands)	March 31, 2018	April 1, 2017	\$ Change	% Change
Interest income	\$4,961	\$2,751	\$ 2,210	80.3 %
Interest expense	\$(536)	\$(523)	\$(13)	2.5 %

For the three and six months ended March 31, 2018, interest income was higher as compared to prior year period. This was primarily due to higher interest rates and a larger average cash, cash equivalents and short-term investments balance.

Interest expense for the three and six months ended March 31, 2018 and April 1, 2017 was attributable to the interest on financing obligation relating to our corporate headquarters, which was incurred subsequent to the completion of the building in December 2013 (Refer to Note 11 of Item 1).

Provision for Income Taxes

The following table reflects the provision for income taxes and the effective tax rate for the three and six months ended March 31, 2018 and April 1, 2017:

	Three months ended		Six months ended	
(dollar amounts in thousands)	March 31, 2018	April 1, 2017 As Restated	March 31, 2018	April 1, 2017 As Restated
Income tax expense	\$4,800	\$5,151	\$115,212	\$7,724
Effective tax rate	11.6 %	13.6 %	140.5 %	13.4 %

Please refer to Note 14 of Item 1 for discussion on the provision for income taxes and the effective tax rate for the three and six months ended March 31, 2018 and April 1, 2017.

LIQUIDITY AND CAPITAL RESOURCES

The following table reflects total cash, cash equivalents, restricted cash and short-term investments as of March 31, 2018 and September 30, 2017:

(dollar amounts in thousands)	As of		
	March 31, 2018	September 30, 2017	Change
Cash and cash equivalents	\$340,151	\$ 392,410	\$(52,259)
Restricted cash	535	530	5
Short-term investments	288,000	216,000	72,000
Total cash, cash equivalents, restricted cash and short-term investments	\$628,686	\$ 608,940	\$19,746
Percentage of total assets	52.2 %	52.0 %	%

The following table reflects a summary of the Consolidated Condensed Statement of Cash Flow information for the six months ended March 31, 2018 and April 1, 2017:

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(in thousands)	Six months ended	
	March 31, 2018	April 1, 2017 As Restated
Net cash provided by operating activities	\$ 57,073	\$ 42,978
Net cash used in investing activities	(83,456)	(32,399)
Net cash used in financing activities	(24,241)	(643)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(1,630)	1,360
Changes in cash, cash equivalents and restricted cash	\$ (52,254)	\$ 11,296
Cash, cash equivalents and restricted cash, beginning of period	392,940	423,907
Cash, cash equivalents and restricted cash, end of period	\$ 340,686	\$ 435,203

Six months ended March 31, 2018

Net cash provided by operating activities was primarily due to the combination of non-cash adjustments to net income of \$46.5 million, increase in net change in operating assets and liabilities of \$43.8 million and net loss of \$(33.2) million. The increase in net change in operating assets and liabilities was primarily driven by an increase in income tax payable of \$79.9 million. This was partially offset by an increase in accounts and notes receivable of \$26.3 million and a decrease in accounts payable, accrued expenses and other current liabilities of \$9.8 million.

The increase in income tax payable was mainly due to additional tax payable on the repatriation of foreign earnings subsequent to the enactment of the Tax Cuts and Jobs Act. The increase in accounts receivables was due to higher sales in the second quarter of fiscal 2018 as compared to the fourth quarter of fiscal 2017 as well as timing of collections. The lower accounts payable, accrued expenses and other current liabilities was primarily due to lower accruals on incentive compensation and other bonuses.

Net cash used in investing activities was due to purchases of short-term investments of \$325.0 million, and capital expenditures of \$11.7 million. This was offset by the proceeds from the maturity of short-term investments of \$253.0 million.

Net cash used in financing activities was primarily due to repurchase of common stock of \$24.0 million.

Six months ended April 1, 2017 (As Restated)

Net cash provided by operating activities was primarily due to the combination of net income of \$50.1 million, non-cash adjustments of \$17.5 million and working capital changes of \$(24.6) million. The change in working capital was primarily driven by an increase in accounts and notes receivable of \$39.1 million, an increase in inventories of \$17.6 million, and a decrease in income taxes payable of \$3.8 million. This was partially offset by corresponding increases in accounts payable, accrued expenses and other current liabilities of \$35.3 million.

The increase in accounts receivable was due to higher sales in the second quarter of fiscal 2017 as compared to the fourth quarter of fiscal 2016. The higher activity in the second quarter of fiscal 2017 as compared to the fourth quarter of fiscal 2016 resulted in an increase in accounts payable and an increase in inventories.

Net cash used in investing activities was due to purchases of short-term investments of \$139.0 million, capital expenditures of \$17.4 million and an equity investment of \$1.3 million. This was offset by the proceeds from the maturity of short-term investments of \$124.0 million and the proceeds from sales of property, plant and equipment of \$1.4 million.

Net cash used in financing activities relates to the reversal of excess tax benefits of \$0.7 million.

Fiscal 2018 Liquidity and Capital Resource Outlook

We expect our aggregate fiscal 2018 capital expenditures to be between \$20.0 million and \$24.0 million, of which approximately \$11.7 million has been incurred through the second quarter. Expenditures are anticipated to be primarily used for R&D projects, enhancements to our manufacturing operations in Asia, improvements to our information technology infrastructure and leasehold improvements for our facilities.

We believe that our existing cash and investments and anticipated cash flows from operations will be sufficient to meet our liquidity and capital requirements for at least the next twelve months. Our liquidity is affected by many factors, some based on normal operations of our business and others related to global economic conditions and industry uncertainties, which we cannot predict. We also cannot predict economic conditions and industry downturns or the timing, strength or duration of recoveries. We intend to continue to use our cash for working capital needs and for general corporate purposes.

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We may seek, as we believe appropriate, additional debt or equity financing that would provide capital for corporate purposes, working capital funding, additional liquidity needs or to fund future growth opportunities, including possible acquisitions. The timing and amount of potential capital requirements cannot be determined at this time and will depend on a number of factors, including our actual and projected demand for our products, semiconductor and semiconductor capital equipment industry conditions, competitive factors, and the condition of financial markets. As of March 31, 2018 and September 30, 2017, approximately \$510.4 million and \$565.0 million of cash, cash equivalents, and short-term investments were held by the Company's foreign subsidiaries, respectively. As a result of the Act, signed into law on December 22, 2017, the cash amounts as of March 31, 2018 are expected to be available for use in the U.S. without incurring additional U.S. income tax. Please refer to Note 14 of Item 1 for more details regarding the impact of the Act on our income taxes.

On August 15, 2017, the Company's Board of Directors authorized a program (the "Program") to repurchase up to \$100 million of the Company's common stock on or before August 1, 2020. The Company has entered into a written trading plan under Rule 10b5-1 of the Exchange Act to facilitate repurchases under the Program. The Program may be suspended or discontinued at any time and is funded using the Company's available cash, cash equivalents and short-term investments. Under the Program, shares may be repurchased through open market and/or privately negotiated transactions at prices deemed appropriate by management. The timing and amount of repurchase transactions under the Program depend on market conditions as well as corporate and regulatory considerations. During the three and six months ended March 31, 2018, the Company repurchased a total of 0.9 million and 1.0 million shares of common stock at a cost of \$21.5 million and \$24.8 million under the Program, respectively. As of March 31, 2018, our remaining stock repurchase authorization under the Program was approximately \$64.0 million.

Other Obligations and Contingent Payments

In accordance with U.S. generally accepted accounting principles, certain obligations and commitments are not required to be included in the Consolidated Condensed Balance Sheets and Statements of Operations. These obligations and commitments, while entered into in the normal course of business, may have a material impact on our liquidity. Certain of the following commitments as of March 31, 2018 are appropriately not included in the Consolidated Condensed Balance Sheets and Statements of Operations included in this Form 10-Q; however, they have been disclosed in the table below for additional information.

The Company's other non-current liabilities in the Consolidated Condensed Balance Sheets consist primarily of deferred tax liabilities, gross long-term tax payable and retirement obligations. As of March 31, 2018, the Company had deferred tax liabilities of \$27.8 million and long-term tax payable of \$6.3 million of which the Company is unable to make a reasonably reliable estimate of the timing of payments due to uncertainties in the timing of tax audit outcomes; therefore, such amounts are not included in the below contractual obligation table. In addition, the Company has retirement obligations and other severances of \$7.7 million which are payable on employee departures. The following table presents certain payments due by the Company under contractual obligations with minimum firm commitments as of March 31, 2018:

(in thousands)	Total	Payments due in			
		Less than 1 year	1 - 2 years	3 - 5 years	More than 5 years
Inventory purchase obligations ⁽¹⁾	\$ 180,447	\$ 180,447	\$ —	\$ —	\$ —
Operating lease obligations ⁽²⁾	18,601	3,402	5,388	3,522	6,289
Long-term tax payable ⁽³⁾ (reflected on our Balance Sheets)	77,355	6,215	11,816	12,489	46,835
Asset retirement obligations ⁽⁴⁾ (reflected on our Balance Sheets)	1,505	174	332	—	999
Total	\$ 277,908	\$ 190,238	\$ 17,536	\$ 16,011	\$ 54,123

(1) We order inventory components in the normal course of our business. A portion of these orders are non-cancellable and a portion may have varying penalties and charges in the event of cancellation.

(2) Represents minimum rental commitments under various leases (excluding taxes, insurance, maintenance and repairs, which are also paid by us) primarily for various facility and equipment leases, which expire periodically

through 2026 (not including lease extension options, if applicable).

The annual rent and service charge for our corporate headquarters range from \$4 million to \$5 million Singapore dollars and is not included in the table above.

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In accordance with ASC No. 840, Leases ("ASC 840"), the Company was considered to be the owner of its headquarters during the construction phase due to its involvement in the asset construction. As a result of the Company's continued involvement during the lease term, the Company did not fulfill the criteria to apply sale-leaseback accounting under ASC 840. Therefore, at completion, the building remained on the Consolidated Condensed Balance Sheet, and the corresponding financing obligation was reclassified to long-term liability. As of March 31, 2018, we recorded a financing obligation of \$17.0 million. The financing obligation is not reflected in the table above.

(3) Associated with the one-time transition tax of our foreign subsidiaries in relation to the Act. (Refer to Note 14 of Item 1).

(4) Asset retirement obligations are associated with commitments to return the property to its original condition upon lease termination at various sites.

Off-Balance Sheet Arrangements

Credit facilities and Bank Guarantees

On November 22, 2013, the Company obtained a \$5.0 million credit facility with Citibank in connection with the issuance of bank guarantees for operational purposes. As of March 31, 2018, the outstanding amount is \$3.5 million. In addition, the Company has other bank guarantees for operational purposes which are secured with corresponding deposits placed with the issuer banks. These amounts are shown as restricted cash in the Consolidated Condensed Balance Sheets.

On March 21, 2016, the Company entered into an Uncommitted Revolving Credit Agreement with United Overseas Bank Limited, New York Agency ("UOB"), providing for a \$25 million revolving credit facility (the "2016 Credit Facility"). The proceeds of the 2016 Credit Facility may be used for the Company's general corporate purposes. Upon expiration on March 20, 2018, the 2016 Credit Facility was not renewed.

As of March 31, 2018, we did not have any other off-balance sheet arrangements, such as contingent interests or obligations associated with variable interest entities.

Item 3. - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Our available-for-sale securities, if applicable, may consist of short-term investments in highly rated debt instruments of the U.S. Government and its agencies, financial institutions, and corporations. We continually monitor our exposure to changes in interest rates and credit ratings of issuers with respect to any available-for-sale securities and target an average life to maturity of less than 18 months. Accordingly, we believe that the effects on us of changes in interest rates and credit ratings of issuers are limited and would not have a material impact on our financial condition or results of operations.

Foreign Currency Risk

Our international operations are exposed to changes in foreign currency exchange rates due to transactions denominated in currencies other than the location's functional currency. Our international operations are also exposed to foreign currency fluctuations that impact the remeasurement of net monetary assets of those operations whose functional currency, the U.S. dollar, differs from their respective local currencies, most notably in Israel, Malaysia, Singapore and Switzerland. In addition to net monetary remeasurement, we have exposures related to the translation of subsidiary financial statements from their functional currency, the local currency, into its reporting currency, the U.S. dollar, most notably in Netherlands, China, Taiwan, Japan and Germany. Our U.S. operations also have foreign currency exposure due to net monetary assets denominated in currencies other than the U.S. dollar.

Based on our foreign currency exposure as of March 31, 2018, a 10.0% fluctuation could impact our financial position, results of operations or cash flows by \$3.0 to \$4.0 million. Our attempts to hedge against these risks may not be successful and may result in a material adverse impact on our financial results and cash flow.

We enter into foreign exchange forward contracts to hedge a portion of our forecasted foreign currency-denominated expenses in the normal course of business and, accordingly, they are not speculative in nature. These instruments generally mature within twelve months. We have foreign exchange forward contracts with a notional amount of \$39.9 million outstanding as of March 31, 2018. On May 3, 2018, the Company entered into foreign exchange forward

contracts with notional amount of \$10.9 million.

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Item 4. - CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Interim Chief Financial Officer have concluded that our disclosure controls and procedures were not effective as of March 31, 2018 because of the material weaknesses in our internal control over financial reporting discussed below.

Material Weaknesses in Internal Control Over Financial Reporting

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

We identified the following two control deficiencies that each constitute a material weakness:

(i) Material weakness related to manual journal entries

We did not maintain effective controls over the recording and review of manual journal entries related to our warranty accrual and accounts payable. Specifically, effective control over the review of journal entries was not maintained as a result of management override of journal entries of the accrual for warranty and accounts payable. The management overrides of controls were identified during an internal investigation, which was concluded in May 2018, related to an unauthorized disbursement by a senior finance employee that was discovered after the end of the second fiscal quarter of 2018. We determined that manual journal entries, initiated by this employee were made to correct the Company's failure to properly include labor costs in our warranty accrual, lacked supporting documentation and were accounted for incorrectly. In addition we determined that the manual journal entries to record accounts payable were based on falsified accounting records. This control deficiency resulted in the misstatement of our warranty expense and warranty accrual accounts and related financial disclosures as well as the misstatement of our cost of sales and accounts payable accounts, and in the restatement of the Company's consolidated financial statements for the fiscal year ended September 30, 2017 and October 1, 2016 as well as the restatement of the consolidated condensed financial statements for the quarter ended December 30, 2017.

(ii) Material weakness related to cash disbursements

We did not maintain effective control over the Company's cash disbursements. Specifically, effective control over the approval of cash disbursements was not maintained. This control deficiency did not result in a misstatement. Additionally, these control deficiencies could result in additional misstatements of account balances or disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected. Accordingly, our management has determined that these control deficiencies constitute material weaknesses.

Management's Plans for Remediation of the Material Weaknesses

The Company is in the process of assessing its plan for remediation of the material weaknesses. Such plan is expected to include change in personnel, including within finance leadership, as well as enhancing a culture of compliance, integrity and transparency through communication of management's commitment and expectations to all employees of the Company. The Company will perform a comprehensive review of its key practices and procedures.

These material weaknesses will not be considered remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

Changes in Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

There has been no change in the Company's internal control over financial reporting during the three months ended March 31, 2018, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents**PART II. - OTHER INFORMATION****Item 1A. - RISK FACTORS****Certain Risks Related to Our Business**

There have been no material changes from the risk factors discussed in Part I, Item 1A, "Risk Factors", of our 2017 amended Annual Report on Form 10-K/A, except as follows:

U.S. federal income tax reform could adversely affect us.

On December 22, 2017, the Tax Cuts and Jobs Act was signed into legislation. The Act, among other changes, reduces the U.S. federal corporate tax rate from 35% to 21%, implements a modified territorial tax system that includes a one-time transition tax on deemed repatriation of previously untaxed accumulated earnings and profits of certain foreign subsidiaries, and creates new taxes on certain foreign-sourced earnings.

At March 31, 2018, the Company has reflected the income tax effects of the Tax Cuts and Jobs Act (the "Act") for which the accounting under Accounting Standards Codification Topic 740, Income Taxes is complete. For those items for which the accounting is not yet complete, but for which a reasonable estimate could be made, we have recorded the provisional tax expense in the Statement of Operations. As described below, we have made a reasonable estimate of the effects of the Act on our existing deferred tax balances and the one-time transition tax. As of March 31, 2018, for these items, we have recognized an aggregate net discrete tax provision of \$105.7 million, comprised primarily of approximately \$2.6 million from the re-measurement of U.S. deferred tax assets and liabilities using the relevant tax rate at which we expect them to reverse in the future and approximately \$103.2 million from the one-time transition tax on deemed repatriation of previously untaxed accumulated earnings and profits of certain foreign subsidiaries. We continue to examine the impact of certain provisions of the Act as well as any other guidances and notices that will become applicable in fiscal year 2019 related to base erosion anti-abuse tax ("BEAT"), global intangible low-taxed income ("GILTI"), and other provisions that could adversely affect our effective tax rate in the future. These guidances and notices may have a material impact on the Company. In addition, the IRS has already issued and stated that it intends to continue to issue notices of intent to amend certain regulations and also institute new regulations with respect the Act. These proposed regulations either clarify certain tax positions or provide new regulations. The Company has not taken these notices into account as they are yet to become final regulations, and may or may not have a material impact on the Company. Also, because there may be additional state income tax implications, the Company will continue to monitor changes in state and local tax laws to determine if state and local taxing authorities intend to conform or deviate from changes to U.S. federal tax legislation as a result of the Act.

Item 2. - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table summarizes the repurchases of common stock during the three months ended March 31, 2018 (in millions, except number of shares, which are reflected in thousands, and per share amounts):

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs ⁽¹⁾
December 31, 2017 to January 27, 2018	—	\$ —	—	\$ 85.5
January 28, 2018 to March 3, 2018	352	\$ 22.34	352	\$ 77.6
March 4, 2018 to March 31, 2018	545	\$ 24.94	545	\$ 64.0
For the three months ended March 31, 2018	897		897	

(1) On August 15, 2017, the Company announced that its Board of Directors approved a share repurchase program (the "Program") that authorizes the repurchase of up to \$100 million of the Company's common shares, from time to time over the three year period ending August 1, 2020. The Company may purchase shares of its common stock

through open market and privately negotiated transactions at prices deemed appropriate by management. The Company has entered into a written trading plan under Rule 10b5-1 of the Exchange Act to facilitate repurchases under the Program. The Program may be suspended or discontinued at any time and will be funded using the Company's available cash, cash equivalents and short-term investments. The timing and amount of repurchase transactions under the Program depend on market conditions as well as corporate and regulatory considerations.

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Item 6. - EXHIBITS

Exhibit No. Description

31.1	Certification of Fusen Chen, Chief Executive Officer of Kulicke and Soffa Industries, Inc., pursuant to Rule 13a-14(a) or Rule 15d-14(a).
31.2	Certification of Lester Wong, Interim Chief Financial Officer of Kulicke and Soffa Industries, Inc., pursuant to Rule 13a-14(a) or Rule 15d-14(a).
32.1	Certification of Fusen Chen, Chief Executive Officer of Kulicke and Soffa Industries, Inc., pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Lester Wong, Interim Chief Financial Officer of Kulicke and Soffa Industries, Inc., pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

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SIGNATURES

Pursuant to the requirements 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.

Date: May 31, 2018 By: /s/ LESTER WONG

Lester Wong

Senior Vice President, Interim Chief Financial Officer and General Counsel

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EXHIBIT INDEX

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