SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

Annual report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 [Fee Required] for the fiscal year ended October 31, 1996 or Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 [No Fee Required] for the transition period from _________ to _________.

Commission File No. 0-9143

HURCO COMPANIES, INC.
(Exact name of registrant as specified in its charter)

INDIANA	35-1150732
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

ONE TECHNOLOGY WAY INDIANAPOLIS, INDIANA	46268
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code (317) 293-5309

Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act:
Common Stock, No Par Value
(Title of Class)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to the filing requirements for at least the past 90 days. Yes X No

The aggregate market value of the Registrant's voting stock held by non-affiliates as of January 10, 1997 was $38,381,205.

The number of shares of the Registrant's common stock outstanding as of January 10, 1997 was 6,532,971.

DOCUMENTS INCORPORATED BY REFERENCE: None

Indicate by check mark if disclosure of delinquent filers pursuant to Rule 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

PART I

ITEM 1. BUSINESS

(A) GENERAL DEVELOPMENT OF BUSINESS

Hurco Companies, Inc. (the Company) designs and produces computer numerical control (CNC) systems and software and CNC-operated machine tools for sale through its own distribution system to the worldwide machine tool industry. The Company's proprietary CNC systems and related software products are either integrated with machine tools marketed by the Company, sold to machine tool end users or sold to other machine tool manufacturers who integrate them with their own products.

The Company pioneered the application of microprocessor technology and conversational programming software to machine tool controls and, since its founding in 1968, has been a leader in the introduction of CNC systems that automate manufacturing processes and improve productivity in certain segments of the metalworking industry. The Company has concentrated on designing "user-friendly" CNC systems that can be operated by both skilled and unskilled machine tool operators and yet are capable of instructing a machine tool to perform complex tasks. The combination of microprocessor technology and patented interactive, conversational software in the Company's CNC systems enables operators on the production floor to quickly and easily create a program for machining or forming a particular part from a blueprint or electronic design and immediately begin production of that part.

The Company's executive offices and principal design, engineering, assembly and distribution facilities are located in Indianapolis, Indiana. Additional product design, assembly and warehouse facilities are located in Farmington Hills, Michigan; and sales, application engineering and service offices are located in High Wycombe, England; Munich, Germany; Paris, France; and Singapore.

(B) FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

The Company operates in one business segment, which consists of CNC systems and software and CNC-operated machine tools for cutting and forming metals.

(C) NARRATIVE DESCRIPTION OF BUSINESS

GENERAL

The manufacture of metal parts for industrial and consumer products primarily involves two major processes: metal cutting and metal forming. These processes are performed by machine tools. Metal cutting machine tools produce parts by milling, drilling, turning and grinding of a solid block of metal. Metal forming machine tools fabricate parts by shearing, punching, forming and bending flat sheets of metal.

Approximately three-fourths of the world's machine tools are made for metal cutting applications. The milling machine is one of the most common types of metal cutting machines. Milling machines shape a part by moving a rotating cutting tool, such as a drill, tap or mill, across a metal block. Although a majority of the milling machines in current use are still manually operated, an increasing number are now operated using CNC systems such as those produced by the Company. CNC-operated milling machines automatically and precisely shape parts by directing the movement of a cutting tool according to a program specifically designed for the desired part. Some CNC-operated milling machines, referred to as machining centers, are equipped with automatic tool changers that allow several different drills, taps or mills to be used in a programmed sequence on the same part without having to remove the part from the machine.

Metal forming machines include press brakes, presses, shears and punches. The press brake is the basic machine tool used to perform simple bending operations on a wide variety of sheet metal to create parts such as computer cabinets, door frames, aircraft components and electrical enclosures. Each press brake uses one or more manual or automated gauge systems that determine where the bend will be made in the sheet metal part. Automated press brakes utilize CNC systems such as those produced by the Company.

The Company has pursued a strategy that is focused on developing and distributing to the worldwide machine tool market a comprehensive line of leading-edge CNC products that incorporate proprietary technology designed to enhance the user's productivity through ease of operation and adaptability to a wide range of manufacturing applications. As part of this strategy, the Company has adopted an open systems architecture that permits its CNC systems and software to be used with a variety of hardware platforms and has emphasized an "operator friendly" design that employs interactive "conversational" software. To increase its margins and mitigate the potential adverse impact of the recessionary cycles and other economic forces that impact the markets for capital goods in general and machine tools in particular, the Company has recently completed a comprehensive restructuring of its operations, as a result of which it has outsourced almost all of its machine tool manufacturing operations to independent contract manufacturers and is concentrating its resources on product research, development, design, marketing, distribution and service.

PRODUCTS

The Company's principal products consist of CNC systems and related software for both metal cutting machine tools and metal forming press brakes as well as complete CNC-operated milling machines and machining centers into which the Company's own CNC systems have been fully-integrated. The Company also produces and distributes control upgrades, accessories and replacement parts and provides operator training and support services to its customers.

The following table sets forth the contribution of each of these product groups to the Company's total revenues during each of the past three fiscal years:

(Dollars in thousands)	Year Ended October 31 1996		1995		1994	
CNC systems and software*	$17,827	(17.9%)	$19,027	(21.2%)	$17,553	(24.2%)
CNC-operated milling machines and machining centers	65,518	(65.9%)	55,711	(62.2%)	38,622	(53.2%)
Service parts	10,005	(10.0%)	9,073	(10.1%)	10,422	(14.3%)
Service fees	6,001	(6.2%)	5,821	(6.5%)	6,031	(8.3%)
	$99,351	(100.0%)	$89,632	(100.0%)	$72,628	(100.0%)

* Amounts shown do not include CNC systems and software sold as an integrated component of milling machines and machining centers.

CNC Systems and Software

The Company's CNC systems and software are marketed under the tradenames Ultimax(R), UltiPath(TM), Delta (TM) and Autobend(R). The Ultimax(R), UltiPath(TM) and Delta(TM) product lines are used to control metal cutting machine tools.
Autobend(R) CNC systems are used to control metal forming press brakes.

o Ultimax

The Company's patented Ultimax "conversational" CNC system, which incorporates an interactive and powerful "data block" programming methodology supported by extensive geometric and process data calculation software tools, enables a machine tool operator to create complex two-dimensional part programs directly from blue print inspection. Machine operators with little or no programming experience can successfully program parts and begin cutting operations in a short time with minimum special training. Since the initial introduction of the Ultimax CNC in 1984, the Company has added enhancements related to operator programming productivity, CAD compatibility, data processing throughput and motion control speed and accuracy. In 1994, the Company introduced the latest generation of the Ultimax CNC, the Ultimax 3/486, and expects to begin marketing a Pentium*-based version of the Ultimax CNC with an enhanced motion control system beginning in the second quarter of fiscal 1997. By incorporating Industry Standard Architecture (ISA) computer platform components, this CNC product offers improved performance while ensuring access to the most effective computing hardware and software technology.

In 1995, the Company introduced a software option that interprets part programs written for the worldwide installed base of competitors' CNCs; this software option, which provides industry standard data format compatibility, enables end-users to use Hurco's Ultimax CNC to run part programs initially programmed for a substantial portion of the large installed base of competitive CNCs and is intended to increase the Company's access to the contract machining market. In late fiscal 1996, the "Single Screen" version of the Ultimax CNC was made available on the Company's machining centers. The Company also developed a "Single Screen" version of its Ultimax CNC in 1995 to increase its penetration of the CNC milling machine market. The Ultimax CNC system is sold primarily as a fully-integrated feature of a Hurco milling machine or machining center.

o UltiPath

UltiPath is a new, simple, low-cost interactive CNC system that permits Windows 95**-based conversational programming. This control product is intended for the 2-axis entry level machining market and enables skilled and unskilled machine operators to convert manual machine operation to easy-to-use CNC parts processing. The UltiPath CNC embodies the Company's patented interactive machining technology and its recently-patented "Object Oriented" software design methodology. The UltiPath CNC was introduced in September 1996 and is expected to be available for shipment in the second quarter of fiscal 1997. The product will be marketed through the Company's distributors to end-users and to retrofitters of the large installed base of manual milling machines.

* Pentium is a registered trademark of Intel Corporation.
** Windows 95 is a registered trademark of Microsoft Corporation.

o Delta Series

The Company's Delta series CNCs, which feature microprocessor-based electronics incorporating ISA computer platform components to provide enhanced performance at lower cost, are designed for the worldwide metalworking industry and are used on milling machines, machining centers, turning centers and punching equipment. The Delta CNC system is based on industry standard point-to-point programming methodology but incorporates software features that group industry standard commands into useful part features, such as circles and frames, to simplify programming. The Delta CNCs are designed and configured as general purpose products, which offer flexibility, reliability and ease of integration with a wide variety of machine designs, and are marketed to original equipment manufacturers and retrofitters of a wide range of metal cutting machines.

Late in fiscal 1994, the Company expanded its Delta product line with the introduction of PrecisionScan(TM), an advanced continuous trace digitizing system that, together with other software peripherals, is intended to meet the needs of mold makers in the metal cutting industry. The Company further supplemented its Delta product line with the introduction in fiscal 1996 of a new, low-cost, two-axis lathe control with "conversational" graphics.

o Autobend

Autobend CNC systems are applied to press brakes that form parts from sheet metal and consist of a microprocessor-based CNC and backgauge. The Company has manufactured and sold the Autobend product line since 1968. It currently markets two models of its press brake CNC systems, in combination with six different back gauges, through distributors to end-users as retrofit units for installation on existing or new press brakes, as well as to original equipment manufacturers and importers of press brakes.

o CAM and Software Products

In addition to its CNC product lines, the Company offers metal cutting and forming software products for programming two and three dimensional parts. Its primary products are the Ultimax PC and PC+, off-line programming systems, and DXF, a computer aided design (CAD)-compatible data file translation software option. These products are marketed to users of both Ultimax and competitive CNC systems. Significant features of the Ultimax PC and PC+ include a CNC-compatible user interface, CAD compatibility and the availability of a configurable post processor. DXF software eliminates manual data entry of part features by transferring AutoCAD(TM) drawing files directly into an Ultimax CNC or the off-line programming system software, substantially increasing operator productivity. The Company has augmented its Autobend product line with a computer-aided manufacturing (CAM) software product, AutoBend PC(TM), that enables the user to create and manipulate CNC compatible metal forming programs on a personal computer. In fiscal 1996, the Company's Ultimax CNC was enhanced with a software option that provides industry standard data format compatibility.

CNC Machine Tools

The Company designs and markets complete stand-alone milling machines and machining centers, each of which is equipped with a fully-integrated Ultimax or Delta CNC system. All of these machines are built to the Company's specifications by independent contract manufacturers. The Company's new Advantage(R) line of machine tools is a complete family of products with different levels of performance features for different market applications and ranging in price from $39,000 to $150,000. Two series of products are offered within the Advantage(R) product line -- the Value Series and the Performance Series -- each of which is marketed within a distinct price range and includes machines of differing sizes and power levels, ranging from a five-horsepower milling machine with an X-axis travel of 24 inches to a twenty-horsepower machining center with 50 inches of X-axis travel.

The Value Series products are equipped with the Delta CNC or the "Single Screen" version of the Ultimax CNC system and are intended for use by the independent contract manufacturer requiring a low-cost product with basic capabilities. The Performance Series products employ the same machine tool frame as the Value Series, but feature the more advanced Ultimax CNC system and software desired by the precision tool, die and mold market, where fast programming of complex parts is a key to competitiveness.

The Company's smaller machines -- those with an X-axis travel of 30 inches or less -- have embodied the Company's proprietary machine tool design since their introduction in 1994. During 1996, the Company introduced two new machining center models with an X-axis of 40 inches that incorporate the same proprietary design features. The larger machines -- those with an X-axis travel of 45 and 50 inches -- incorporate a machine tool platform developed by one of the Company's contract manufacturers. During fiscal 1996, approximately 85% of the machine tools sold by the Company embodied its proprietary design. The Company expects that during fiscal 1997 approximately 95% of the machine tools it sells will embody its proprietary design.

Parts and Service

The Company's service organization provides installation, operator training and customer support for the Company's products. During 1996, the Company began transferring to its principal distributors primary responsibility for machine installation and warranty service and support for new product sales. Although installation and service costs are borne by the distributor, the Company offers a greater price discount to those distributors providing such services. The Company's own service organization will continue to service and support the installed base of discontinued models, and support its distributors with respect to complex service operations. The Company also provides CNC upgrades, accessories, options and replacement parts for its products. Among the options are software programs and additional CNC features that allow a customer to upgrade the performance of its milling machines and machining centers. The Company's after-sale parts and service business helps strengthen customer relationships and provides continuous information concerning the evolving requirements of end-users.

MARKETING AND DISTRIBUTION

The end-users of the Company's products are thousands of precision tool, die and mold manufacturers, independent metal parts job shops and specialized production groups within large manufacturing corporations. Industries served include aerospace, defense, medical equipment, energy, injection molding, transportation and computer equipment.

The Company sells its CNC systems and related products (i) to manufacturers of new machine tools who integrate them with their own products prior to the sale of those products to their own customers, (ii) to retrofitters of used machine tools who integrate them with those machine tools as part of the retrofitting operation and (iii) to end-users who have an installed base of machine tools, either with or without related CNC systems. The Company's integrated CNC-operated milling machines and machining centers are sold primarily to end-users. During fiscal 1996, no single end-user of the Company's products accounted for more than 5% of its total revenues.

Sales are made through over 240 independent agents and distributors in 44 countries throughout North America, Europe and Asia. The Company also has its own direct sales forces in the United States, England, France, Germany and Singapore, which are considered to be among the world's principal machine tool consuming countries. During fiscal 1996, no distributor accounted for more than 5% of total revenues. The Company has continuing agreements with each of its distributors, but may terminate those agreements upon prior notice ranging from 30 days to 180 days. Approximately 80% of the worldwide demand for CNC-operated machine tools and CNC systems comes from outside the U.S. and accordingly, the Company considers its international market presence to be critical to its operations.

The Company believes the demand for CNC systems and CNC-operated machine tools is driven by several factors: (i) the declining supply of skilled machinists, (ii) the need to continuously improve productivity, (iii) an aging machine tool installed base that will require replacement with more advanced and efficient technology and (iv) the industrial development of emerging countries in Asia and Eastern Europe. However, the demand for machine tools and related products is highly dependent upon economic conditions and the general level of business confidence, as well as such factors as production capacity utilization and changes in governmental policies regarding tariffs, corporate taxation and other investment incentives. By marketing and distributing its products on a worldwide basis, the Company attempts to reduce the potential impact on its total revenues of adverse changes in economic conditions in any particular geographic region.

COMPETITION

Numerous companies compete with the Company's product lines in the United States and international markets. Many of these competitors are larger and have greater financial resources than the Company. The Company strives to compete effectively by designing into its products critical proprietary features that offer a distinct value differential from comparably-priced competitive products in terms of enhanced productivity, technological capabilities and ease of use. In addition, by offering its products in a range of prices and capabilities, the Company seeks to meet the needs of a broad potential market. The Company also believes that its competitiveness is aided by its reputation for reliability and quality, its strong international sales and distribution organization and its extensive customer service organization.

In the worldwide CNC systems market, the Company is a leader in providing user-friendly, "conversational" programming systems for CNC machine tools, although its principal competitors, such as Fanuc Ltd., Mitsubishi Machine Tools, Heidenhain Corp., Siemens Industrial Automation, Inc. Southwestern Industries, Bridgeport Machines, Inc. and Allen-Bradley Co., also offer "user-friendly" programming features. Fanuc Ltd. is the world's largest supplier of CNC systems.

The Company believes it is one of the largest domestic manufacturers of CNC gauging systems for press brakes. Automec Inc., a CNC gauge manufacturer, and Cybelec SA, a control manufacturer, are the Company's major competitors for these products in the United States. The Company also competes with Cybelec in Europe.

In the U.S. market for CNC milling machines, the Company's principal competitors include Bridgeport Machines Inc., Tree Machine Tool Co. Inc., Miltronics Manufacturing Co. and Republic-Lagun Machine Tool Co. Competition in the United States with respect to CNC machining centers comes from Fadal Engineering (a subsidiary of Giddings & Lewis Inc.), Haas Automation, Inc. and Cincinnati Milacron Inc. A large number of foreign builders, including Okuma Machinery Works Ltd., Yamazaki Mazak Corporation, Mori Seiki Co., Ltd. and Matsuura Machinery Corporation, also compete with the Company in the United States as well as in international markets.

MANUFACTURING

The Company assembles and tests its CNC systems at its own facilities in Indianapolis, Indiana and Farmington Hills, Michigan using readily available, industry-standard personal computer components (such as hard disk drives, VGA cards and motherboards) as well as proprietary system components that are produced to the Company's specifications by several domestic suppliers. In October 1996, the Company entered into a contract manufacturing agreement with Hurco Automation Ltd. (HAL), a Taiwanese-based company formed by the Company and six Taiwanese investors. HAL will manufacture certain CNC systems to the Company's specifications, beginning in fiscal 1997 and will also supply certain proprietary and standard components to be used in domestic production. The Company believes that alternative sources for the proprietary components are readily available.

The Company's CNC-operated machine tools and milling machines are manufactured to its specifications in Taiwan by three independent contractors. The Company has worked closely with its Taiwan-based contractors to increase their production capacity to meet the rising demand for its machine tool products and believes that such capacity is sufficient to meet the Company's current and projected demand. Although the Company is exploring additional manufacturing sources for certain of its machine tool products, alternative sources are not readily obtainable and any significant reduction in capacity on the part of its existing machine tool manufacturing contractors would have a material adverse effect on its operations.

BACKLOG

Backlog consists of firm orders received from customers and distributors. Backlog was $9.0 million, $15.3 million and $7.0 million as of October 31, 1996, 1995, and 1994, respectively. Backlog at October 31, 1995 was higher than normal due to strong demand during fiscal 1995 for the Company's Advantage series machine tool line combined with limited product availability. The reduction of backlog at October 31, 1996 reflects increased availability of product for shipment. Fiscal 1996 orders were $93.1 million compared to $98.9 million for fiscal 1995, and $71.9 million for fiscal 1994.

INTELLECTUAL PROPERTIES

The Company considers certain features of its products to be proprietary and owns, directly or through a subsidiary, a number of patents that are significant to its business. The Company holds a non-exclusive license covering features of the automatic tool changer offered with certain of its CNC machining centers. IMS Technology, Inc. (IMS), a wholly-owned subsidiary of the Company, owns various domestic and foreign patents covering the machining method practiced when a machine tool is integrated with an interactive CNC (the Interactive Machining Patents). In September 1995, the Company was awarded a new patent on an object-oriented methodology for CNC software.

In October 1995, IMS initiated infringement actions against a number of enterprises that it believes are employing or practicing machining methods covered by the Interactive Machining Patents. These enterprises include end users of interactive CNCs, machine tool builders employing interactive CNCs within their products and CNC manufacturers whose control designs permit use of interactive methods when coupled to machine tools. See Item 3. Legal Proceedings.

IMS is actively pursuing a program to license the use of the Interactive Machining Patents. During fiscal 1996, IMS entered into agreements with two CNC manufacturers and various of their subsidiaries, none of which is a defendant in the IMS patent infringement actions, under which IMS has granted a non-exclusive license to use the Interactive Machining Patents in exchange for certain fixed payments which began in fiscal 1996 and continue through fiscal 2001. Unless the Interactive Machining Patents are subsequently found to be invalid, the 1996 license agreements are expected to result in license fee income, net of legal fees and expenses, of approximately $1.4 million from fiscal years 1997 through 2001. In addition, IMS has received a royalty-free non-exclusive license (with a right of sublicense to the Company) under four patents owned by one of the licensees. There can be no assurance that IMS will enter into additional license agreements or that the terms of any future license agreements will be similar to those of the license agreements discussed above.

RESEARCH AND DEVELOPMENT

The Company's engineering, research and development expenditures (including amounts funded by third parties) were $5.0 million in fiscal 1996, $4.3 million in fiscal 1995 and $4.0 million in fiscal 1994. These activities include development of new software and machine tool products, efforts to reduce costs and improve quality for current products and routine product support.

Research and development expenditures for new products and significant product improvements (inclusive of amounts funded or reimbursed by third parties) were $1.7 million, $1.4 million and $1.0 million in fiscal 1996, 1995, and 1994, respectively. In addition, the Company capitalized $1.3 million in 1996, $1.2 million in 1995 and $.8 million in 1994 related to software development projects.

EMPLOYEES

The Company had 358 employees at the end of fiscal 1996, none of whom is covered by a collective-bargaining agreement or represented by a union. The Company has experienced no employee-generated work stoppages or disruptions and considers its employee relations to be satisfactory .

(D)FINANCIAL INFORMATION ABOUT FOREIGN AND DOMESTIC OPERATIONS AND EXPORT SALES

The following represents a breakdown of Company sales to the indicated geographic regions for the past three fiscal years (in thousands):

	1996	1995	1994
North America	$50,398	$49,005	$46,430
Europe	44,014	35,434	23,692
Asia and other	4,939	5,193	2,506
Total	$99,351	$89,632	$72,628

Export sales from the United States were $5.8 million in fiscal 1996, $6.4 million in fiscal 1995 and $5.7 million in fiscal 1994.

Information regarding Total Sales, Operating Income (Loss) and Identifiable Assets by geographical area is shown in Note 16 to the Consolidated Financial Statements.

ITEM 2. PROPERTIES

The following table sets forth the location, size and principal use of each of the Company's facilities:

Location	Square Footage	Principal Uses
Indianapolis, Indiana	165,000(1)	Corporate headquarters, design and engineering, product testing, CNC assembly, sales, application engineering and customer service.
Farmington Hills, Michigan	37,500	Design and engineering, product testing, CNC assembly, sales, application engineering and customer service.
High Wycombe, England	45,000(2)	Sales, application engineering, customer service.
Paris,France	2,800	Sales,application engineering, customer service.
Munich, Germany	10,700	Sales, application engineering, customer service.
Singapore	1,200	Sales, application engineering customer service

(1)Approximately 65,000 square feet will be available for lease in fiscal 1997.
(2)Approximately 24,000 square feet have been sublet to a subtenant since November 1995.

The Company owns the Indianapolis facility and leases the other facilities. The leases have terms expiring at various dates ranging from February 1997 to February 2004. The Company believes that all of its facilities are well maintained and are adequate for its needs now and in the foreseeable future. The Company does not believe that it would experience any difficulty in replacing any of the present facilities if any of its current leases were not renewed at expiration.

ITEM 3. LEGAL PROCEEDINGS

On October 10, 1995, the Company's wholly-owned subsidiary, IMS Technology, Inc. (IMS), commenced an action in the United States District Court for the Northern District of Illinois against a group of end-users of interactive CNCs, machine tool manufacturers who incorporate interactive CNCs in their products and manufacturers of CNCs designed to permit use of interactive methods when coupled to machine tools. IMS has alleged that the defendants have infringed one of the Interactive Machining Patents (the "Patent") and is seeking monetary damages from, and injunction against future infringement by, each of the defendants. The defendants in this action presently include Okuma Machinery Works, Ltd.; Okuma American Corporation; Ellison Machinery Company of the Midwest, Inc.; Apollo Machine & Manufacturing Company, Inc.; Arpac Corporation; American Control Technology, Inc.; Nissan Motor Co. Ltd.; Nissan Motor Car Carrier Co., Ltd.; Nissan Motor Corp. USA, Inc.; and Fanuc, Ltd.

On January 11, 1996 IMS commenced an action in the United States District Court for the Eastern District of Virginia (which was subsequently transferred to the United States District Court for the Northern District of Illinois) against Southwestern Industries, Inc. ("Southwestern"); Bridgeport Machines, Inc. and Mitsubishi Electric Corporation ("Mitsubishi"). This action also alleges infringement of the Patent.

IMS and the Company are defendants in a third action pending in the United States District Court for the Northern District of Illinois that was commenced January 29, 1996 by Mitsubishi and Mitsubishi Electric Industrial Controls. This action seeks to have the patent declared invalid and alleges that the Company and IMS violated federal antitrust laws in connection with the acquisition of the Patent. In a counter-claim, IMS alleges that the plaintiffs and various other defendants have infringed the Patent.

All three of the Illinois actions are being coordinated under local court rules. Discovery is currently in process. IMS and the Company have filed a motion to dismiss the antitrust claims in the third Illinois action which currently is pending.

In addition to the three Illinois actions, IMS was a defendant in an action commenced on November 30, 1995 by Southwestern in the United States District Court for the Central District of California seeking to have the Patent declared invalid. In May, 1996, the court transferred this action to the United States District Court in Virginia (which action is now one of the three Illinois actions described above); however, Southwestern has appealed the court's ruling. The appeal is currently pending.

Although IMS believes that the Patent is valid and its claims of patent infringement have substantial merit, it is unable to predict the outcome of any of these actions.

The Company is involved in various other claims and lawsuits arising in the normal course of business, none of which, in the opinion of management, is expected to have a material adverse effect on its consolidated financial position or results of operations.

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

None.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock is traded in the NASDAQ National Market System under the symbol "HURC". The following table sets forth the high and low sales prices of the shares of Common Stock for the periods indicated, as reported by NASDAQ.

	1996		1995	
Fiscal Quarter Ended:..........	High	Low	High	Low
January 31....................	$7-1/4	$4-1/4	$4-1/2	$3-3/4
April 30......................	4-5/8	3-1/4	4-3/8	2-3/4
July 31.......................	7	4-1/8	4-1/4	3-3/8
October 31....................	6-1/2	4-1/2	7-1/8	3-1/2

The Company does not currently pay dividends on its Common Stock and intends to retain earnings for working capital, capital expenditures and debt reduction. In addition, the Company's agreements with its principal lenders restrict its ability to pay cash dividends.

The Company had approximately 657 holders of record of its Common Stock as of October 31, 1996.

During the period covered by this report, the Company has not sold any equity securities that were not registered under the Securities Act of 1933, as amended.

ITEM 6. SELECTED FINANCIAL DATA

The Selected Financial Data presented below have been derived from the Consolidated Financial Statements of the Company for the years indicated and should be read in conjunction with the Consolidated Financial Statements and related notes set forth elsewhere herein.

	Year Ended October 31,				
	1996	1995	1994	1993	1992
Statement of Operations Data:	(Dollars in thousands,except per share amounts)				
Sales and service fees..........	$99,351	$89,632	$72,628	$72,230	$87,828
Gross profit...................	$28,421	$23,470	$15,565	$11,079	$21,926
Selling, general and adminis- tration expenses.............	$21,343	$19,002	$18,129	$22,001	$24,213
Restructuring charge...........	$ --	$ --	$ --	$6,750	$1,070
Operating income (loss)........	$7,078	$4,468	$(2,564)	$(18,323)	$(3,633)
Interest expense.............	$3,211	$4,250	$3,301	$2,828	$2,722
Net income (loss)............	$4,264	$204	$(5,791)	$(21,144)	$(5,789)
Earnings (loss) per common share..............	$ .72	$.04	$(1.07)	$(3.89)	$(1.05)
Common stock dividends per share...................	$ --	$--	$ --	$--	$.14
Weighted average common shares outstanding................	5,907	5,536	5,407	5,438	5,492

As of October 31,				
1996	1995	1994	1993	1992

Balance Sheet Data:	(Dollars in thousands)				
Current assets.......	$44,108	$46,356	$43,096	$49,314	$61,532
Current liabilities..	$23,336	$26,479	$16,985	$16,312	$15,349
Working capital	$20,772	$19,877	$26,111	$33,002	$46,183
Current ratio........	1.9	1.8	2.5	3.0	4.0
Total assets.........	$59,750	$61,421	$59,558	$67,287	$84,332
Long-term obligations	$20,273	$27,459	$35,245	$37,888	$34,285
Total debt...........	$22,110	$33,599	$34,813	$37,540	$35,515
Shareholders' equity.	$16,141	$ 7,483	$ 7,328	$13,087	$34,698

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

The following discussion should be read in conjunction with the Selected Financial Data and the Consolidated Financial Statements and Notes thereto appearing elsewhere herein. Certain statements made in this report may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company or the machine tool industry to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, (i) changes in general economic and business conditions that affect demand for CNC control systems, machine tools and software products; (ii) changes in manufacturing markets; (iii) innovations by competitors and (iv) governmental actions and initiatives.

RESULTS OF OPERATIONS

The following table presents, for the fiscal years indicated, selected items from the Consolidated Statements of Operations expressed as a percentage of worldwide revenues and the year-to-year percentage changes in the dollar amounts of those items.

	Percentage of Revenues			Year-to-Year % Change Increase (Decrease)	
	1996	1995	1994	96 vs. 95	95 vs. 94
Sales and service fees.........	100.0%	100.0%	100.0%	10.8%	23.4%
Gross profit...................	28.6	26.2	21.5	21.0	50.8
Selling, general and administrative expenses........	21.5	21.2	25.0	12.4	4.8
Operating income (loss)........	7.1	5.0	(3.5)	58.4	274.3
Interest expense...............	3.2	4.8	4.5	(24.4)	28.8
Net income (loss)..............	4.3	.2	(8.0)	1,990.2	103.5

Fiscal 1996 compared with Fiscal 1995

Total sales and service fees of $99.4 million in fiscal 1996 increased $9.7 million, or 10.8%, over fiscal 1995, inclusive of a $1.0 million decrease attributable to weaker European currencies when converting foreign currency revenues into U.S. dollars for financial reporting purposes. On a worldwide basis, sales of CNC-operated machine tools totaled $65.5 million, an increase of $9.8 million, or 17.6%, over fiscal 1995, and sales of CNC systems and software (which do not include systems and software sold as an integrated part of CNC-operated machine tools) totaled $17.8 million, a decrease of $1.2 million, or 6.3%, from fiscal 1995. The increase in the CNC-operated machine tool product line reflected the continued strength of the world's principal machine tool markets, strong demand in Europe for the Company's Advantage series of machine tools, (which was introduced in that market in mid 1995) and enhanced availability of the Company's products for shipment as a result of capacity increases on the part of its contract manufacturers. The decrease in CNC systems and software sales was primarily the result of decreased shipments of Autobend products to original equipment manufacturers, some of whom have developed their own CNC systems. Revenues attributable to sales of parts and service fees increased $1.1 million, or 7.5%, from fiscal 1995 levels, primarily as a result of increased part sales to support the increase in the installed machine base.

In the United States, sales and service fees in fiscal 1996 increased $.6 million, or 1.1%, over fiscal 1995 reflecting a slight increase in shipments of machine tool products. Increased shipments of Delta series control systems for metal cutting machine tools, primarily to original equipment manufacturers, were offset by decreased shipments of Autobend control products to the metal fabrication equipment market.

European sales and service fees in fiscal 1996 increased $8.6 million, or 26.5%, over fiscal 1995, inclusive of the effects of currency translation for financial reporting purposes. European sales measured in local currency increased 29.4%. The improvement was primarily attributable to an increase in unit shipments, without a significant change in margins or average selling prices, aided by a full year of sales of the Advantage series product line, continued strength of the European machine tool market and increased availability of products for shipment.

International sales increased to approximately 44.9% of total consolidated sales for fiscal 1996 compared to 39.6% for fiscal 1995.

Worldwide new order bookings for fiscal 1996 were $93.1 million, a decrease of $5.8 million, or 5.9%, from fiscal 1995. While international orders increased $2.7 million, or 6.8%, in spite of lower foreign currency translation rates, domestic orders declined $8.5 million, or 14.5%. The decline in domestic bookings was due almost entirely to the fact that domestic machine tool bookings during the first half of fiscal 1995 reflected unusually high demand for the just introduced Advantage series machine tool line fueled, in part, by distributor anticipation of limited product availability. The increasing availability of Advantage series products for shipment in the second half of fiscal 1995 and first half of fiscal 1996 enabled the Company to assure its domestic customers shorter delivery times, which, along with somewhat slower machine tool demand, contributed to a decline in the order rates. Domestic order bookings in the second half of fiscal 1996 approximated that of the comparable period in fiscal 1995 due in part to the introduction of new machine tool products in September 1996. Consolidated backlog at October 31, 1996 was $9.0 million compared to $15.3 million at October 31, 1995, reflecting increased availability of products for shipment.

Gross profit margin as a percentage of revenues increased to 28.6% in fiscal 1996 from 26.2% in fiscal 1995 despite the unfavorable impact of foreign currency translations for financial reporting purposes. The increase is the result of an increased percentage of higher-margin products in the total sales mix along with the increase in the percentage of total sales attributable to higher-margin international sales.

Selling, general and administrative (SG&A) expenses in fiscal 1996 increased $2.3 million, or 12.4%, over fiscal 1995 net of unfavorable currency translation effects. The increase reflects a $.5 million increase in product development expenses, expenditures related to the bi-annual International Manufacturing Technology Show (IMTS) and increased selling expenses associated with increased unit volume.

The improvement in operating income in fiscal 1996 continues the Company's trend of improved profitability over the past three years as a result of its completed restructuring program, the introduction of new higher-margin products and an improved machine tool market worldwide.

Interest expense in fiscal 1996 decreased $1.0 million, or 24.4%, from fiscal 1995. The decrease is the result of a $11.5 million reduction of debt, reduced interest rates on the Company's variable rate bank borrowings, and reduced incremental fees paid to the Company's lenders. The incremental fees, which are non-recurring, amounted to $240,000 in fiscal 1996 and $400,000 in fiscal 1995.

License fee income in fiscal 1996 of $590,000, net of legal fees and expenses, results from two separate licensing agreements entered into by the Company's wholly-owned subsidiary, IMS Technology, Inc., with respect to its interactive machining patents. Under the terms of the agreements, additional fees of approximately $1.4 million, net of legal fees and expenses, are expected to be received in annual installments through fiscal 2001, of which approximately $386,000 is expected to be included in income in fiscal 1997.

The provision for income taxes of $94,000 in fiscal 1996 relates to the earnings of a foreign subsidiary. The income tax liability incurred in the United States and certain other jurisdictions was offset by the reversal of valuation allowance reserves against the Company's net operating loss carryforwards. Net operating loss carryforwards available to offset pre-tax income in future periods are set forth in Note 6 to the Consolidated Financial Statements.

Fiscal 1995 Compared with Fiscal 1994

Total sales and service fees of $89.6 million in fiscal 1995 represented an increase of $17.0 million over fiscal 1994, inclusive of $2.5 million attributable to the effect of stronger European currencies when converting foreign currency revenues into U.S. dollars for financial reporting purposes. On a worldwide basis, sales of CNC-operated machine tools totaled $55.7 million, an increase of $17.1 million, or 44%, over fiscal 1994, and sales of CNC systems and software totaled $19.0 million, an increase of $1.5 million, or 8%, over fiscal 1994. While the increases in both product lines reflected improvements in the world's principal machine tool markets, particularly Germany, the significantly greater percentage increase associated with the sales of CNC-operated machine tools was attributable to the strong demand for the Company's new Advantage series of machine tools as well as the enhanced availability of products for shipment as a result of capacity increases on the part of contract manufacturers. Revenues attributable to sales of parts and service fees declined $1.6 million, or 9%, from fiscal 1994 levels, primarily as a result of reduced sales of parts for discontinued machine tool models.

In the United States, sales and service fees in fiscal 1995 increased $3.5 million, or 7%, over fiscal 1994, reflecting increases of $4.0 million, or 18%, in sales of CNC-operated machine tools and $1.4 million, or 9%, in sales of CNC systems and software, offset by a decrease of $1.9 million, or 14%, in revenue from service parts and fees. The improved sales were primarily attributable to increases in unit volume, rather than pricing, due to enhanced demand for and availability of the Company's Advantage product line and general strengthening of the markets for both fully-integrated machine tools and CNC systems.

In Europe, sales and service fees in fiscal 1995 increased $11.3 million, or 52%, over fiscal 1994, inclusive of the effects of currency conversion for financial reporting purposes. Net of currency-translation effects, the improvement was primarily attributable to a 25% increase in unit volume and a 17% increase in average unit prices realized for the Company's CNC-operated machine tools, reflecting the introduction of the new Advantage series in the second half of fiscal 1995 as well as a significant strengthening of the European machine tool markets. In Asia, sales and service fees increased to $2.6 million in fiscal 1995 from $400,000 recorded for fiscal 1994, reflecting the Company's more competitive pricing of the new Advantage series product line in that market. On a combined basis, European and Asian sales and service fees in fiscal 1995, exclusive of currency-translation effects, accounted for 38% of total worldwide revenues, compared with 30% in fiscal 1994, due primarily to the more significant year-to-year change in general market conditions in Europe than in the United States, as well as improvements in the Company's foreign sales and marketing operations.

Demand for the Company's products during fiscal 1995 was strong. Worldwide new order bookings for fiscal 1995 increased $26.9 million, or 37%, over 1994, primarily due to the introduction of the new Advantage series of machine tool products and the increased production capacity of the Company's contract manufacturers. Backlog as of October 31, 1995, was $15.3 million compared to $7.0 million as of October 31, 1994. The Company is continuing to work with its contract manufacturers to further increase their production capacity.

Gross profit margin as a percentage of revenues increased from 21.5% in fiscal 1994 to 26.2% in 1995. As reflected in Note 13 to the Consolidated Financial Statements, gross profit margins have steadily increased from 18.5% in the first quarter of fiscal 1994 to 27.2% in the fourth quarter of fiscal 1995, reflecting cost reductions achieved through the Company's restructuring program as well as the incremental phase-in of higher-margin products. Also contributing to the enhancement of gross profit margins was an improved mix of higher-margin European sales as a percentage of total worldwide sales, as well as the favorable currency-translation effects associated with foreign sales.

Selling, general and administrative (SG&A) expenses in fiscal 1995 increased $873,000, or 5%, over fiscal 1994 primarily because of foreign currency translation effects of $502,000 and increased selling expenses associated with increased unit volume. SG&A expenses, as a percentage of sales and service fees, was 21% in fiscal 1995 compared to 25% in fiscal 1994.

The Company generated $4.5 million of operating income in fiscal 1995 compared to a $2.5 million operating loss in fiscal 1994, a $7.0 million improvement. This return to operating profitability after three years of losses reflects the benefits of the Company's restructuring program, the phase-in of new higher-margin products and improved market conditions worldwide.

Interest expense in fiscal 1995 increased $949,000, or 29%, over fiscal 1994. Included in interest expense for fiscal 1995 is a $400,000 incremental fee payable to the Company's lenders under its credit agreements, which provide for additional fees when certain gross profit levels are achieved. As of October 31, 1995, the maximum fee became fully due. The remaining $240,000 incremental fee payable to the lenders as of October 31, 1995, will be amortized to expense during fiscal 1996. The remainder of the increase in interest expense reflects the impact of higher interest rates on the Company's floating rate bank borrowings, despite a $1.2 million reduction in total debt during the year.

No income tax expense has been provided for fiscal 1995. The income tax liability incurred in certain tax jurisdictions was offset by the reversal of valuation allowance reserves against the Company's net operating loss carryforwards. Net operating loss carryforwards available to offset pre-tax income in future periods are discussed in Note 6 to the Consolidated Financial Statements.

FOREIGN CURRENCY RISK MANAGEMENT

The Company manages its foreign currency exposure through the use of foreign currency forward exchange contracts as described in Note 1 to the Consolidated Financial Statements. The Company does not speculate in the financial markets and, therefore, does not enter into these contracts for trading purposes. The Company also moderates its currency risk related to significant purchase commitments with certain foreign vendors through price adjustment agreements that provide for a sharing of, or otherwise limit, the potential adverse effect of currency fluctuations on the costs of purchased products. The results of these programs achieved management's objectives for both fiscal 1996 and fiscal 1995. See Note 1 to the Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

At October 31, 1996, the Company had cash and cash equivalents of $1.9 million compared to $2.1 million at October 31, 1995. Cash flow from operations for fiscal 1996 was $8.5 million, compared to $3.7 million for fiscal 1995, primarily due to increased net income and reduced working capital requirements.

On July 3, 1996 the Company issued and sold 1,085,389 shares of common stock at a price of $4.63 per share pursuant to a subscription rights offering. The net proceeds of approximately $4.8 million were used to prepay $3.1 million of outstanding indebtedness otherwise due on July 31, 1996. Of the amount prepaid, $1.4 million consisted of bank debt bearing interest at a variable rate and $1.7 million represented an installment payment on the Company's Senior Notes. The balance of the net proceeds was used to reduce outstanding revolving credit borrowings. Since the beginning of fiscal 1996, total indebtedness has been reduced by $11.5 million, or 34%. Approximately $3.1 million of term loan payments are due and payable during fiscal 1997.

Working capital was $20.8 million at October 31, 1996, compared to $19.9 million at October 31, 1995. The ratio of current assets to current liabilities was 1.9 to 1 at October 31, 1996, compared to 1.8 to 1 at October 31, 1995. As of October 31, 1996, the Company had unutilized credit facilities of $10.9 million available for either direct borrowings or commercial letters of credit.

Management believes that cash flow from operations and available borrowings under the Company's bank credit facilities will be sufficient to enable the Company to meet its anticipated cash requirements, including scheduled term loan payments, for the next twelve months.

Effective January 22, 1997, the agreements governing the Company's bank indebtedness were amended to extend the due date of the revolving credit facility from November 1, 1997 to May 1, 1998 and to provide an alternative LIBOR-based interest rate that is expected to be approximately .75% lower than the prime-based rate otherwise payable. The Company is currently negotiating a new multi-year credit agreement with the bank and expects those negotiations to be concluded during the second quarter of fiscal 1997. See Note 4 to the Consolidated Financial Statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and
Board of Directors of
Hurco Companies, Inc.

We have audited the accompanying consolidated balance sheets of Hurco Companies, Inc. (an Indiana corporation) and subsidiaries as of October 31, 1996 and 1995, and the related consolidated statements of operations, changes in shareholders' equity and cash flows for each of the three years in the period ended October 31, 1996. These financial statements and schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hurco Companies, Inc. and subsidiaries as of October 31, 1996 and 1995, and the consolidated results of their operations and their cash flows for each of the three years in the period ended October 31, 1996 in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in Item 14(a) 2 is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Indianapolis, Indiana December 5, 1996 except with respect to matters discussed in Note 4 as to which the date is January 22, 1997.

HURCO COMPANIES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended October 31, 1996	1995	1994
	(Dollars in thousands, except per share amounts)		
SALES AND SERVICE FEES........	$ 99,351	$ 89,632	$ 72,628
Cost of sales and service	70,930	66,162	57,063
GROSS PROFIT................	28,421	23,470	15,565
Selling, general and administrative expenses.......	21,343	19,002	18,129
OPERATING INCOME (LOSS).......	7,078	4,468	(2,564)
Interest expense.............	3,211	4,250	3,301
License fee (income)..........	(590)	--	--
Other (income) expense, net...	99	14	(74)
Income (loss) before income taxes	4,358	204	(5,791)
Provision for income taxes.....	94	--	--
NET INCOME (LOSS)..............	$4,264	$204	$(5,791)
EARNINGS (LOSS)PER COMMON SHARE	$ .72	$.04	$(1.07)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING.........	5,907	5,536	5,407

The accompanying notes are an integral part of the Consolidated Financial Statements.

HURCO COMPANIES, INC.
CONSOLIDATED BALANCE SHEETS

ASSETS

	As of October 31, 1996	1995

CURRENT ASSETS:	(Dollars in thousands, except per share amounts)	
Cash and cash equivalents	$1,877	$ 2,072
Accounts receivable, less allowance for doubtful accounts of $785 in 1996 and $1,070 in 1995	17,162	17,809
Inventories	24,215	25,238
Other	854	1,237
Total current assets	44,108	46,356
LONG-TERM LICENSE FEE RECEIVABLES (NOTE 14)	1,040	--
PROPERTY AND EQUIPMENT:		
Land	761	761
Building	7,095	7,122
Machinery and equipment	12,662	13,489
Leasehold improvements	1,002	996
	21,520	22,368
Less accumulated depreciation and amortization of	(11,714)	(11,739)
	9,806	10,629
SOFTWARE DEVELOPMENT COSTS, LESS ACCUMULATED AMORTIZATION OF $1,039 IN 1996 AND $864 IN 1995	3,792	3,513
OTHER ASSETS	1,004	923
	$59,750	$61,421

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable	$ 11,407	$ 10,570
Accrued expenses	7,454	8,161
Accrued warranty expenses	1,425	1,391
Current portion of long-term debt	3,050	6,357
Total current liabilities	23,336	26,479
NON-CURRENT LIABILITIES:		
Long-term debt	19,060	27,242
Deferred credits and other obligations	1,213	217
	20,273	27,459
COMMITMENTS AND CONTINGENCIES (NOTES 10, 11 AND 13)		
SHAREHOLDERS' EQUITY:		
Preferred stock: $100 par value per share; 40,000 shares authorized; no shares issued	--	--
Common stock: no par value; $.10 stated value per share; 7,500,000 shares authorized; 6,531,871 and 5,425,302 shares issued and outstanding in 1996 and 1995, respectively	653	543
Additional paid-in capital	50,312	45,573
Accumulated deficit	(30,208)	(34,472)
Foreign currency translation adjustment	(4,616)	(4,161)
Total shareholders' equity	16,141	7,483
	$59,750	$ 61,421

The accompanying notes are an integral part of the Consolidated Financial Statements.

HURCO COMPANIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended October 31,	1996	1995	1994
	(Dollars in thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$4,264	$204	$(5,791)
Adjustments to reconcile net income(loss)to net cash provided by (used for)operating activities:			
Depreciation and amortization	2,677	2,861	3,019
Unrealized (gain) loss on foreign currency transactions	267	(59)	(361)
Change in asset/liabilities			
(Increase) decrease in accounts receivable	356	(3,148)	893
(Increase) decrease in inventories	959	1,004	6,528
Increase (decrease) in accounts payable	856	2,118	2,095
Increase (decrease) in accrued expenses	(534)	902	(1,634)
Other	(346)	(156)	(795)
NET CASH PROVIDED BY OPERATING ACTIVITIES	8,499	3,726	3,954
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of equipment	34	99	327
Purchase of property and equipment	(561)	(551)	(408)
Software development costs	(1,318)	(1,066)	(853)
Other investments	(181)	134	(152)
Loss on foreign currency contracts	--	(48)	(388)
NET CASH (USED FOR) INVESTING ACTIVITIES	(2,026)	(1,432)	(1,474)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Advances on bank credit facilities	49,985	68,625	39,275
Repayments of bank credit facilities	(55,008)	(69,997)	(42,283)
Repayments of long-term borrowings	(6,342)	--	--
Proceeds from exercise of common stock options	47	29	41
Proceeds from stock rights offering, net	4,802	--	--
NET CASH (USED FOR) FINANCING ACTIVITIES	(6,516)	(1,343)	(2,967)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(152)	20	102
NET INCREASE (DECREASE) IN CASH	(195)	971	(385)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,072	1,101	1,486
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,877	$2,072	$1,101
SUPPLEMENTAL DISCLOSURES:			
Cash paid for:			
Interest	$ 2,759	$ 3,656	$ 3,814
Income taxes	--	--	--

The accompanying notes are an integral part of the Consolidated Financial Statements.

HURCO COMPANIES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	COMMON STOCK SHARES ISSUED & OUTSTANDING	AMOUNT	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	FOREIGN CURRENCY TRANSLATION ADJUSTMENT
	(Dollars in thousands)				
BALANCES, OCTOBER 31, 1993...	5,399,399	$540	$45,517	$(28,885)	$(4,085)
Net loss...........	--	--	--	(5,791)	--
Translation of foreign currency financial statements	--	--	--	--	2
Exercise of common stock options	14,283	1	29	--	--
BALANCES, OCTOBER 31, 1994....	5,413,682	$541	$45,546	$(34,676)	$(4,083)
Net income..........	--	--	--	$204	--
Translation of foreign currency financial statements	--	--	--	--	(78)
Exercise of common stock options.......	11,620	2	27	--	--
BALANCES, OCTOBER 31, 1995....	5,425,302	$543	$45,573	$(34,472)	$(4,161)
Net income..........	--	--	--	$4,264	--
Stock Rights Offering...........	1,085,389	108	4,694	--	--
Translation of foreign currency financial statements	--	--	--	--	(455)
Exercise of common stock options.......	21,180	2	45	--	--
BALANCES, OCTOBER 31, 1996....	6,531,871	$653	$50,312	$(30,208)	$(4,616)

The accompanying notes are an integral part of the Consolidated Financial Statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation. The consolidated financial statements include the accounts of Hurco Companies, Inc. (an Indiana corporation) and its wholly-owned and controlled subsidiaries (the Company). A 15% ownership interest in an affiliate recorded at cost and an 18% ownership interest in an affiliate recorded using the equity method are included in Other Assets on the accompanying Consolidated Balance Sheets. Intercompany accounts and transactions have been eliminated.

Statements of Cash Flows. The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Cash flows from hedges are classified consistent with the items being hedged.

Translation of Foreign Currencies. All balance sheet accounts of non-U.S. subsidiaries are translated at the exchange rate as of the end of the year. Income and expenses are translated at the average exchange rates during the year. Foreign currency translation adjustments are recorded as a separate component of shareholders' equity. Foreign currency transaction gains and losses are recorded as income or expense as incurred.

Hedging. The Company enters into foreign currency forward exchange contracts periodically to provide a hedge against the effect of foreign currency fluctuations on receivables denominated in foreign currencies and net investments in foreign subsidiaries. Gains and losses related to contracts designated as hedges of receivables denominated in foreign currencies are accrued as exchange rates change and are recognized as "Other (income) expense, net" in the Consolidated Statements of Operations. Gains and losses related to contracts designated as hedges of net investments in foreign subsidiaries are accrued as exchange rates change and are recognized in the "Foreign currency translation adjustment" portion of Shareholders' equity on the Consolidated Balance Sheets.

The Company also enters into foreign currency forward exchange contracts to hedge certain firm intercompany sale commitments denominated in foreign currencies (primarily pound sterling and German marks) for which the Company has firm purchase commitments. The purpose of these instruments is to protect the Company from the risk that the U.S. dollar net cash inflows resulting from the sales denominated in foreign currencies will be adversely affected by changes in exchange rates. Gains and losses on these hedge contracts are deferred and recognized as an adjustment to the related sales transactions.

The U.S. dollar equivalent notional amount of outstanding foreign currency forward exchange contracts was approximately $12,645,000 as of October 31, 1996 ($10,074,000 related to firm intercompany sales commitments) and $18,879,000 as of October 31, 1995 ($16,833,000 related to firm intercompany sales commitments). Deferred losses related to hedges of these future sales transactions were approximately $61,000 and $265,000 as of October 31, 1996 and 1995, respectively. Contracts outstanding at October 31, 1996, mature at various times through March 27, 1997. All contracts are for the sale of currency. The Company does not enter into these contracts for trading purposes.

Inventories. Inventories are stated at the lower of cost or market, with cost determined using the first-in, first-out method.

Property and Equipment. Property and equipment are carried at cost, which includes capitalized interest incurred during the construction period of the asset. No interest was capitalized during the three years ended October 31, 1996. Depreciation and amortization of assets are provided primarily under the straight-line method over the shorter of the estimated useful lives or the lease terms as follows:

	Number of Years
Building	40
Machines	10
Shop and office equipment	5
Leasehold improvements	5

Revenue Recognition. Sales of products and services are recorded when products are shipped or services are performed. Revenue from maintenance contracts is deferred and recognized in earnings on a pro rata basis over the period of the agreement.

License Fees. The Company's policy is to recognize license fee income related to patent infringement settlements, net of legal fees and expenses, over the life of the agreements. The portion of the settlements attributable to prior infringement are recorded in income in the period that the agreement is finalized.

Product Warranty. Expected future product warranty expense is recorded when the product is sold.

Research and Development Costs. The costs associated with research and development programs for new products and significant product improvements are expensed as incurred and included in Selling, general and administrative expenses. Expenditures and related third-party reimbursements for the last three years were (in thousands):

	Year Ended October 31,		
	1996	1995	1994
Research and development expenditures......	$1,689	$1,362	$1,001
Less: amounts reimbursed by third parties..	58	354	14
Net research and development expenses.....	$1,631	$1,008	$987

Costs incurred to develop computer software to be sold or otherwise marketed are capitalized, after technological feasibility is established, and are amortized to Cost of sales on a straight-line basis over the estimated product life of the related software which ranges from three to five years. Amortization expense was $1,039,000, $864,000 and $749,000, respectively, for the three years ended October 31, 1996.

Earnings Per Share. Earnings per share of common stock are based on the weighted average number of common shares outstanding, which includes the effects of outstanding stock options computed using the treasury method. Such common stock equivalents totaled 121,000 and 118,000 for the twelve month periods ended October 31, 1996 and 1995, respectively. Fully diluted earnings per share are the same as primary earnings per share for 1996 and 1995. No effect has been given to options outstanding for 1994 as no dilution would have resulted from their exercise.

Income Taxes. The Company records income taxes under Statement of Accounting Standards (SFAS) 109 "Accounting for Income Taxes". SFAS 109 utilizes the liability method for computing deferred income taxes and requires that the benefit of certain loss carryforwards be recorded as an asset and that a valuation allowance be established against the asset to the extent it is "more likely than not" that the benefit will not be realized.

Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of sales and expenses during the reporting period. Actual results could differ from those estimates.

2. BUSINESS OPERATIONS

Nature of Business. The Company designs and produces computer numerical control (CNC) systems and software and CNC-operated machine tools for sale through its own distribution system to the worldwide machine tool industry. The Company's proprietary CNC systems and related software products are either integrated with machine tools marketed by the Company, sold to machine tool end users or sold to other machine tool manufacturers who integrate them with their own products.

The end market for the Company's products consists primarily of precision tool, die and mold manufacturers, independent job shops and specialized production applications within large manufacturing operations. Industries served include: aerospace, defense, medical equipment, energy, transportation and computer industries. The Company's products are sold through over 240 independent agents and distributors in 44 countries throughout North America, Europe and Asia. The Company also maintains direct sales forces in the United States, England, France, Germany and Singapore.

Credit Risk. The Company sells products to customers located throughout the world. The Company performs ongoing credit evaluations of customers and generally does not require collateral. Allowances are maintained for potential credit losses, and such losses have been within management's expectations.

Concentration of credit risk with respect to trade accounts receivable is limited due to the large number of customers and their dispersion across many geographic areas. Although a significant amount of trade receivables are with distributors primarily located in the United States, no single distributor or region represents a significant concentration of credit risk.

Reliance on Contract Manufacturers. The Company contracts principally with three machine tool builders located in Taiwan for the manufacture and assembly of CNC machine tool systems, based on the Company's designs and specifications, utilizing CNC systems provided by the Company. Any interruption from these sources would restrict the availability of the Company's machine tools, which would affect operating results adversely. The Company has negotiations in process with other manufacturing sources to increase its capacity and continuously evaluates alternative sources of supply.

3. INVENTORIES

Inventories as of October 31, 1996 and 1995 are summarized below (in thousands):

	1996	1995
Purchased parts and sub-assemblies.....	$12,354	$17,380
Work-in-process.......................	1,942	3,523
Finished goods........................	9,919	4,335
	$24,215	$25,238

4. DEBT AGREEMENTS

Long-term debt as of October 31, 1996 and 1995, consisted of (in thousands):

	1996	1995
Bank revolving credit facilities.......	$10,931	$16,078
Bank term loan........................	1,250	3,996

Senior Notes..........................	8,929	12,402
Economic Development Revenue Bonds,		
Series 1990...........................	1,000	1,000
Other.................................	--	123
	22,110	33,599
Less current portion..................	3,050	6,357
	$19,060	$27,242

As of October 31, 1996, long-term debt was payable as follows (in thousands):

Fiscal 1997............................	$ 3,050
Fiscal 1998............................	13,702
Fiscal 1999............................	1,786
Fiscal 2000............................	1,786
Fiscal 2001............................	1,786
	$22,110

As of October 31, 1996, the Company had unutilized credit facilities of $10.9 million available for either direct borrowings or commercial letters of credit. As of October 31, 1996 and 1995, the Company had $7,716,000 and $6,648,000, respectively, of outstanding letters of credit issued to non-U.S. suppliers for inventory purchase commitments.

Interest was payable at 8.25% and 9.0% on the domestic bank revolving credit facility and term loan as of October 31, 1996 and 1995, respectively. Interest was payable on the European credit authorization at rates ranging from 6.8% to 9.8% as of October 31, 1996 and from 7.3% to 9.4% as of October 31, 1995. Interest was payable on the Senior Notes at 10.87% and 11.12% at October 31, 1996 and 1995, respectively.

The Company's obligations to its lending banks, as well as its obligations to the holders of its outstanding Senior Notes, are secured by substantially all of the Company's assets.

Effective January 26, 1996, the agreements governing the Company's bank indebtedness and Senior Notes were amended. Effective January 22, 1997, the agreements governing the Company's bank indebtedness were further amended to extend the maturity date of the bank revolving credit facility and to provide an alternative reduced basis for interest charges on all outstanding bank indebtedness. The principal terms of those agreements, as so amended, are set forth below.

(a) Bank Indebtedness.

The Company's bank agreements provide for a revolving credit facility expiring May 1, 1998 permitting borrowings at any one time outstanding of up to $27.0 million (inclusive of outstanding letters of credit of up to $9.5 million). Of such borrowings, up to $5.0 million may be drawn in designated European currencies. In addition, the agreements permit the Company to obtain up to $2.0 million of additional letters of credit without reduction of the borrowing limit. The agreements also provide for a term loan of $4.0 million, of which $1.25 million is outstanding and due on September 30, 1997. Effective January 22, 1997, interest on all outstanding borrowings is payable on a rate based on LIBOR for 30, 60 or 90 day periods (5.44% to 5.56% at January 22, 1997) plus 2.0%

or, at the Company's option, prime (8.25% at January 22, 1997).

The agreements condition the banks' lending obligations on the Company's maintenance of a prescribed working capital borrowing base and require the Company to maintain a specified minimum net worth. The agreements also establish maximum leverage and fixed charge coverage ratios, restrict capital expenditures and investments and prohibit the payment of cash dividends or the redemption of capital stock. The net worth covenant requires that Consolidated Tangible Net Worth (as defined) be not less than $6.75 million plus (i) 50% of cumulative net income subsequent to November 1, 1995 and (ii) 85% of the net proceeds of any equity or subordinated debt financings subsequent to November 1, 1995. The ratio of total consolidated indebtedness to Consolidated Tangible Net Worth may not exceed 3.55-to-1 from October 31, 1996 through January 30, 1997, 3.0-to-1 from January 31, 1997 through October 30, 1997 and 2.5-to-1 thereafter. At October 31, 1996, Consolidated Tangible Net Worth was $16.4 million which was $3.4 million in excess of the requirement. The Company was in compliance with all bank covenants at October 31, 1996.

(b) Senior Notes.

At October 31, 1996, the Company had outstanding approximately $8.9 million of Senior Notes, of which approximately $1.8 million was repaid on December 1, 1996. Of the remaining $7.1 million, approximately $1.8 million is due in equal annual installments on December 1, 1997 through December 1, 2000. Interest is payable monthly and was reduced from 11.12% per annum to 10.87% per annum beginning September 1, 1996. Until October 31, 1997, the financial covenants with respect to the Senior Notes are identical to those applicable to the Company's bank indebtedness. Commencing November 1, 1997, certain covenants, unless otherwise modified, will become more restrictive.

The agreements in effect at October 31, 1995 provided for a contingent fee (not to exceed $500,000 to the banks and a pro-rata amount to the senior note holders) based on the amount, by which the Company's actual gross profit exceeded projected amounts in fiscal years 1995 through 1997. As of October 31, 1995, the maximum fee became fully due and payable in December 1995. Of this fee, $400,000 was included in interest expense for fiscal 1995 ($360,000 in the fourth quarter) and the remainder of $240,000 was recognized as interest expense in fiscal 1996.

The Economic Development Revenue Bonds are payable in five equal annual installments beginning on September 1, 2001 and are secured by a letter of credit issued in the amount of $1,060,000 by the bank. The letter of credit renews annually and expires in September 1997. If the letter of credit is not renewed, the bank agreements provide for deferral of the reimbursement obligation under the letter of credit until the maturity date of the revolving credit facility. Accordingly, the $1,000,000 has been classified as payable in fiscal 1998. The Bonds' interest rates adjust weekly and, as of October 31, 1996, interest was accruing at a rate of 3.8% (4.0% as of October 31, 1995).

5. FINANCIAL INSTRUMENTS

The carrying amounts for trade receivables and payables are considered to be their fair values. The carrying amounts and fair values of the Company's other recorded financial instruments at October 31, 1996 are as follows (in thousands):

	October 31, 1996 Carrying Amount	Fair Value (1)
Long-Term Debt:		
Bank revolving credit facilities.......	$10,931	$10,931
Bank term loan........................	1,250	1,250
Senior Notes..........................	8,929	8,993
Economic Development Revenue Bonds.....	1,000	1,000

(1) The estimated fair values of Long-Term Debt are based on discounted future cash flows using current interest rates available to the Company with the same remaining maturities.

The Company also has off-balance sheet financial instruments in the form of foreign currency forward exchange contracts as described in Note 1 to the Consolidated Financial Statements. The U.S. dollar equivalent notional amount and fair value of these contracts were $12,644,900 and $12,766,300, respectively, at October 31, 1996. Current market prices were used to estimate the fair value of the foreign currency forward exchange contracts.

The future value of the foreign currency forward exchange contracts and the related currency positions are subject to offsetting market risk resulting from foreign currency exchange rate volatility. The counterparties to these contracts are substantial and creditworthy financial institutions. Neither the risks of counterparty non-performance nor the economic consequences of counterparty non-performance associated with these contracts are considered by the Company to be material.

6. INCOME TAXES

Deferred income taxes reflect the effect of temporary differences between the tax basis of assets and liabilities and the reported amounts of those assets and liabilities for financial reporting purposes. Deferred income taxes also reflect the value of net operating losses and an off-setting valuation allowance. The Company's total deferred tax assets and corresponding valuation allowance at October 31, 1996 and October 31, 1995, consisted of the following (in thousands):

	October 31, 1996	1995
Tax effects of future tax deductible items related to:		
Accrued inventory reserves...........	$715	$671
Accrued warranty expenses............	370	360
Other accrued expenses...............	922	1,024
Total deferred tax assets........	2,007	2,055

Tax effects of future taxable differences related to:		
Accelerated tax deduction and other tax over book deductions related to property, equipment and software..................	(1,476)	(257)
Other.........................	(575)	(577)
Total deferred tax liabilities.....	(2,051)	(834)
Net tax effects of temporary differences.......................	(44)	1,221
Tax effects of carryforward benefits:		
U.S. federal net operating loss carryforwards,expiring 2001-2010......	9,909	10,319
Foreign net tax benefit carryforwards with no expiration.................	1,862	2,612
U.S. federal general business tax credits, expiring 2001-2010 and alternative minimum tax credit with no expiration.	1,543	1,555
Tax effects of carryforwards	13,314	14,486
Tax effects of temporary differences and carryforwards................	13,270	15,707
Less valuation allowance..........	(13,270)	(15,707)
Net deferred tax asset...........	$ --	$ --

The Company's carryforwards expire at specific future dates and utilization of certain carryforwards is limited to specific amounts each year and further limitations may be imposed if an "ownership change" would occur. Realization is entirely dependent upon generating sufficient future earnings in specific tax jurisdictions prior to the expiration of the loss carryforwards. Due to the uncertain nature of their ultimate realization based upon past performance and expiration dates, the Company has established a full valuation allowance against these carryforward benefits and is recognizing the benefits only as reassessment demonstrates they are realizable. While the need for this valuation allowance is subject to periodic review, if the allowance is reduced, the tax benefits of the carryforwards will be recorded in future operations as a reduction of the Company's income tax expense.

Income (loss) before income taxes (in thousands):

	Year Ended October 31, 1996	1995	1994
Domestic......................	$(625)	$(1,786)	$(3,240)
Foreign.......................	4,983	1,990	(2,551)
	$4,358	$204	$(5,791)

Differences between the effective tax rate and U.S. federal income tax rate were (in thousands):

Tax (benefit) at U.S. Statutory Rate	$1,525	$71	$(2,027)

Effect of International operations tax rates in excess of U.S. statutory rates...........	254	--	--
Effect of losses without a current year tax benefit..........	--	625	2,027
Utilization of net operating loss carryforwards..............	(1,685)	(696)	--
Provision for income tax....	$94	$ --	$ --

7. EMPLOYEE RETIREMENT BENEFITS

The Company has defined contribution plans that include a majority of its employees worldwide, under which Company contributions are discretionary. The purpose of these plans is generally to provide additional financial security during retirement by providing employees with an incentive to save throughout their employment. Company contributions to the plans are based on employee contributions or compensation. These Company contributions totaled $252,000, $213,000, and $214,000 for the years ended October 31, 1996, 1995, and 1994, respectively.

During 1996, the Company initiated a non-qualified deferred compensation plan for certain executives of the Company. The purpose of this defined contribution plan is to provide executives with an additional mechanism to save throughout their employment. The Company made no contributions to the deferred compensation plan during fiscal 1996.

8. STOCK OPTIONS

Stock options may be granted to key employees to purchase shares of common stock at a price not less than the fair market value at the date of grant. Vesting periods are determined at the discretion of the Board of Directors and currently range from 3 to 5 years. Stock option activity during 1996, 1995 and 1994 is summarized below (number of shares):

	Year Ended October 31,		
	1996	1995	1994
Outstanding at beginning of year.........	380,700	354,900	330,717
Granted...........................	104,800	62,700	171,500
Canceled..........................	(32,700)	(19,080)	(48,534)
Expired...........................	--	(6,200)	(84,500)
Exercised.........................	(21,180)	(11,620)	(14,283)
Outstanding at end of year..............	431,620	380,700	354,900
Exercisable at end of year..............	204,151	138,600	101,720
Available for future grants.............	12,814	84,914	131,534

The range of option prices per share for outstanding options and the prices at which options were exercised during 1996, 1995 and 1994 are summarized below:

	Year Ended October 31,		
	1996	1995	1994
Option price................	$2.13 - $7.50	$2.13 - $7.50	$2.13-$7.50

Exercise price..............	$2.13 - $3.88	$2.13 - $2.88	$2.13

As of October 31, 1996 and 1995, the Company had outstanding options for certain members of the Board of Directors to purchase 75,000 and 25,000 shares of the Company's common stock, respectively, at prices ranging from $5.13 to $7.00 per share. All were exercisable as of October 31, 1996 and 1995. The options expire at various dates between 2002 and 2006.

9. RELATED PARTY TRANSACTIONS

The Company and Air Express International Corporation (AEI) are related parties because a common group of shareholders holds a substantial ownership interest in both companies. AEI provides freight forwarding and shipping services for the Company. The cost of these freight services are negotiated on an arms length basis and amounted to $1,773,000, $1,438,000 and $323,000 for the years ended October 31, 1996, 1995 and 1994, respectively. Trade payables to AEI were $208,000, $27,000 and $3,000 at October 31, 1996 and 1995, and 1994, respectively.

The Company owns an approximate 15% interest in one of its Taiwanese-based suppliers. This investment is carried at cost and is included in Other Assets. Purchases of product from this supplier are negotiated on an arms length basis and totaled $8,616,000, $4,369,000 and $1,178,000 for the years ended October 31, 1996, 1995 and 1994, respectively. Trade payables to this supplier at October 31, 1996, were $1,484,000, of which $1,112,000 was supported by letters of credit that will be funded by the Company's bank through December 31, 1996. Trade payables to this supplier at October 31, 1995 and 1994 were $1,519,000 and $195,000, respectively.

10. LITIGATION AND CONTINGENCIES

On October 10, 1995, the Company's wholly-owned subsidiary, IMS Technology, Inc. (IMS), commenced an action in the United States District Court for the Northern District of Illinois against a group of end-users of interactive CNCs, machine tool manufacturers who incorporate interactive CNCs in their products and manufacturers of CNCs designed to permit use of interactive methods when coupled to machine tools. IMS alleges that the defendants have infringed one of the Interactive Machining Patents (the "Patent") and is seeking monetary damages from, and injunction against future infringement by, each of the defendants. The defendants in this action presently include Okuma Machinery Works, Ltd.; Okuma American Corporation; Ellison Machinery Company of the Midwest, Inc.; Apollo Machine & Manufacturing Company, Inc.; Arpac Corporation; American Control Technology, Inc.; Nissan Motor Co. Ltd.; Nissan Motor Car Carrier Co., Ltd.; Nissan Motor Corp. USA, Inc.; and Fanuc, Ltd.

On January 11, 1996 IMS commenced an action in the United States District Court for the Eastern District of Virginia (which was subsequently transferred to the United States District Court for the Northern District of Illinois) against Southwestern Industries, Inc. ("Southwestern"); Bridgeport Machines, Inc. and Mitsubishi Electric Corporation ("Mitsubishi"). This action also alleges infringement of the Patent.

IMS and the Company are defendants in a third action pending in the United States District Court for the Northern District of Illinois that was commenced January 29, 1996 by Mitsubishi and Mitsubishi Electric Industrial Controls. This action seeks to have the patent declared invalid and alleges that the Company and IMS violated federal antitrust laws in connection with the acquisition of the Patent. In a counter-claim, IMS alleges that the plaintiffs and various other defendants have infringed the Patent:

All three of the Illinois actions are being coordinated under local court ruling and discovery is currently in process. IMS and the Company have filed a motion to dismiss the antitrust claims in the third action, which currently is pending.

In addition to the three Illinois actions, IMS was a defendant in an action commenced on November 30, 1995 by Southwestern in the United States District Court for the Central District of California seeking to have the Patent declared invalid. In May, 1996, the court transferred this action to the United States District Court in Virginia (which action is now one of the three Illinois actions described above); however, Southwestern has appealed the court's ruling. The appeal is currently pending.

Although IMS believes that the Patent is valid and its claims of patent infringement have substantial merit, it is unable to predict the outcome of any of these actions.

The Company is involved in various other claims and lawsuits arising in the normal course of business, none of which, in the opinion of management, is expected to have a material adverse effect on its consolidated financial position or results of operations.

11. OPERATING LEASES

The Company leases facilities and vehicles under operating leases that expire at various dates through 2002. Future payments required under operating leases as of October 31, 1996, are summarized as follows (in thousands):

1997	$ 1,671
1998	1,325
1999	1,064
2000	831
2001	665
2002	401
Total	$ 5,957

Rental payments for the years ended October 31, 1996, 1995, and 1994 was $1,940,000, $1,976,000, and $1,820,000, respectively.

12. RIGHTS OFFERING

On July 3, 1996 the Company issued and sold 1,085,389 shares of common stock at a price of $4.63 per share pursuant to a subscription rights offering. The net proceeds of approximately $4.8 million were used to prepay $3.1 million of installments of the Company's outstanding indebtedness to its senior lenders that were due on July 31, 1996. Of the amount prepaid, $1.4 million consisted of bank debt bearing interest at a variable rate and $1.7 million represented an installment payment on the Company's Senior Notes. The balance of the net proceeds was used to reduce outstanding revolving credit borrowings. Since the beginning of fiscal 1996, total indebtedness has been reduced by $11.5 million, or 34%.

13. HURCO AUTOMATION, LTD.

In October 1996, the Company entered into an agreement with six Taiwanese investors for the purpose of forming a company, Hurco Automation, Ltd. (HAL). HAL's scope of activities will include the design, manufacture, sales and distribution of industrial automated products, software systems and related components, including CNC systems and components manufactured under contract for sale exclusively to Hurco. At October 31, 1996, Hurco had invested $200,000 in the joint venture which results in 18% ownership. Hurco has committed to invest an additional $564,000 in three installments through fiscal 1999 which will result in 35% ownership. Hurco is also committed to purchasing a defined number of CNC systems from HAL between February 1, 1997 and July 31, 1999. Hurco will account for the investment using the equity method. The investment of $200,000 at October 31, 1996 is included in Other Assets on the balance sheet. HAL plans to begin production in the first quarter of fiscal 1997.

14. PATENT SETTLEEMENT AGREEEMENT

During 1996, the Company's wholly-owned subsidiary, IMS Technology, Inc. (IMS), entered into two settlement agreements for the licensing of its interactive machining patents which resulted in license fee income of $590,000, net of legal fees and expenses. Under the terms of the 1996 settlement agreements, license fees of approximately $1.4 million, net of legal fees and expenses, are to be received from fiscal 1997 through 2001, the remaining term of the agreements, unless the Interactive Machining Patents are declared invalid. The licensees were not defendants in the IMS patent infringement litigation discussed elsewhere in this report.

15. QUARTERLY HIGHLIGHTS (UNAUDITED)

1996 (IN THOUSANDS, EXCEPT PER SHARE DATA)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Sales and service fees..................	$ 23,224	$ 26,095	$ 23,039	$ 26,993
Gross profit..........	6,475	7,231	6,988	7,727
Gross profit margin percentage............	27.9%	27.7%	30.3%	28.6%
Selling, general and administrative expenses..............	5,049	5,363	5,223	5,708
Operating income......	1,426	1,868	1,765	2,019
Net income............	572	1,031	957	1,704
Earnings per common share.................	$ .10	$ .19	$ .16	$ .26

1995 (IN THOUSANDS, EXCEPT PER SHARE DATA)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Sales and service fees.................	$ 18,872	$ 20,687	$ 22,764	$ 27,309
Gross profit.........	4,658	5,389	5,986	7,437
Gross profit margin percentage...........	24.7%	26.1%	26.3%	27.2%
Selling, general and administrative expenses	4,246	4,616	4,558	5,582
Operating income.....	412	773	1,428	1,855
Net income (loss)....	(473)	(239)	428	488
Earnings (loss) per common share.........	$ (.09)	$ (.04)	$ .08	$ .09

16. BUSINESS SEGMENT AND INTERNATIONAL OPERATIONS

The Company operates in one business segment which consists of computer numerical control (CNC) systems and software and CNC-operated machine tools for cutting and forming metals. Summarized is information regarding Total Sales, Operations Income (Loss) and Identifiable Assets by geographical areas (in thousands):

	United States	Europe	Asia	Eliminations	Consolidated
1996					
Sales to unaffiliated customers............	$54,760	$41,528	$3,063	$ --	$99,351
Transfers between geographic areas......	26,921	3,790	33	(30,744)	--
Total sales..........	$81,681	$45,318	$3,096	$(30,744)	$99,351
Operating income......	$ 2,184	$ 4,348	$ 546	$ 7,078	
Identifiable assets as of October 31, 1996	$ 42,779	$14,763	$2,208	$ 59,750	
1995					
Sales to unaffiliated customers............	$54,172	$32,881	$2,579	$ --	$89,632
Transfers between geographic areas..........	18,374	880	--	(19,254)	--
Total sales..............	$ 72,546	$33,761	$2,579	$(19,254)	$89,632
Operating income.........	$ 2,570	$ 1,607	$ 291	$ 4,468	
Identifiable assets as of October 31, 1995.....	$ 45,255	$15,404	$ 762	$ 61,421	
1994					
Sales to unaffiliated customers............	$ 50,682	$21,584	$ 362	$ --	$72,628
Transfers between geographic areas..........	10,013	1,744	--	(11,757)	--
Total sales.............	$ 60,695	$23,328	$ 362	$(11,757)	$72,628
Operating loss..........	$ (346)	$(2,057)	$ (161)	$(2,564)	
Identifiable assets as of October 31, 1994.....	$ 44,490	$14,641	$ 427	$ 59,558	

17. NEW ACCOUNTING PRONOUNCEMENTS

In March 1995, Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," was issued. The statement must be adopted by the Company in the first quarter of fiscal 1997. Under provision of the statement, impairments, measured using fair market value, are recognized whenever events or changes in circumstances indicate that the carrying amount of long-lived assets may not be recoverable and the future undiscounted cash flows attributable to the asset are less than its carrying value. The statement is not expected to have a material impact on the Company's results of operations or financial position.

In October 1995, SFAS No. 123, "Stock Based Compensation," was issued. This statement will require the Company to choose between two different methods of accounting for stock options. The statement defines a fair-value-based method of accounting for stock options but allows an entity to continue to measure compensation cost for stock options using the accounting prescribed by APB Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees." Use of the APB 25 accounting method results in no compensation cost being recognized if options are granted at an exercise price at the current market value of the stock. The Company will continue to use the method prescribed under APB 25 but will be required by SFAS 123 to make pro forma disclosures of net income and earnings per share as if the fair value method had been applied in its financial statements for the year ended October 31, 1997.

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

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

DIRECTORS OF THE REGISTRANT

The following information sets forth the name of each director, his age, tenure as a director, principal occupation and business experience for the last five years:

Name	Age	Served as a Director Since
Hendrik J. Hartong, Jr.	57	1986
Andrew L. Lewis IV	40	1988
Brian D. McLaughlin	54	1987
E. Keith Moore	74	1990
Richard T. Niner	57	1986
O. Curtis Noel	61	1993
Charles E. Mitchell Rentschler	57	1986

Hendrik J. Hartong, Jr. has been a general partner of Brynwood Management, the general partner of Brynwood Partners Limited Partnership, since 1984. Mr. Hartong has also served as Chairman of the Board of Air Express International Corporation since 1985.

Andrew L. Lewis IV has served as Chief Executive Officer of KRR Partners, L.P. since July 1993. Beginning in 1990, Mr. Lewis has also been a consultant for USPCI of Pennsylvania, Inc. Mr. Lewis is also a director of Air Express International Corporation.

Brian D. McLaughlin has been President and Chief Executive Officer of the Company since December, 1987.

E. Keith Moore has served as President of Hurco International, Inc., a subsidiary of the Company, since April 1988. Mr. Moore is also a director of Met-Coil Systems Corporation.

Richard T. Niner has been a general partner of Brynwood Management, the general partner of Brynwood Partners Limited Partnership, since 1984. Mr. Niner is also a director of Air Express International Corporation and Arrow International, Inc.

O. Curtis Noel has been an independent business consultant for more than ten years specializing in market and industry studies, competitive analysis and corporate development programs with clients in the U.S. and abroad.

Charles E. Mitchell Rentschler has served as President and Chief Executive Officer of The Hamilton Foundry & Machine Co. since 1985.

Each director of the Company serves for a term of one year, which expires at the next annual meeting of shareholders of the Company when his successor has been elected. There are no family relationships between any of the directors or executive officers of the Company.

EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below is certain information with respect to the executive officers of the Company:

Name	Age	Position(s) with the Company
Brian D. McLaughlin	54	President and Chief Executive Officer
Roger J. Wolf	56	Senior Vice President, Secretary, Treasurer and Chief Financial Officer
David E. Platts	44	Vice President, Research and Development
James D. Fabris	45	Vice President of the Company and President, Hurco Machine Tool Products (a division)
Richard Blake	38	Vice President of the Company and Managing Director, Hurco Europe, Ltd.
Stephen J. Alesia	30	Corporate Controller

Brian D. McLaughlin has been President and Chief Executive Officer of the Company since December 1987. From 1982 to 1987, he was employed as President and General Manager of various divisions of Ransburg Corporation, an international manufacturer of factory automation equipment. Previously, he was employed in general management and marketing management positions with Eaton Corporation.

Roger J. Wolf has been Senior Vice President, Secretary, Treasurer and Chief Financial Officer since January 1993. Prior to joining the Company, Mr. Wolf was Executive Vice President of a privately-owned investment and service business for over seven years. Previously, he served as Vice President, Corporate Controller and Vice President, Treasurer of Ransburg Corporation, an international manufacturer of factory automation equipment.

David E. Platts has been employed by the Company since 1982, and was elected Vice President, Research and Development in 1989. Prior to joining the Company, Mr. Platts was a Research Engineer at the Delco Remy Division of General Motors.

James D. Fabris was elected Vice President of the Company in February 1995 and named President of Hurco Machine Tool Products (previously Hurco Manufacturing Company), a division of the Company, in November 1993. He served as President of

Acroloc, Inc., a subsidiary of the Company, from July 1991 to October 1993 and as Vice President of Operations of Hurco Manufacturing Company from 1988 to 1991. Prior to joining the Company, he was employed in general management and manufacturing management positions at various divisions of Ransburg Corporation.

Richard Blake was elected Vice President of the Company in January 1996, and Managing Director, Hurco Europe, Ltd., a subsidiary of the Company, in December 1993. He served as U.K. Marketing Manager for Hurco Europe, Ltd. from January 1993 to November 1993 and as a Sales Manager for Hurco Manufacturing Company from September 1989 to December 1992. Prior to joining Hurco Europe, Ltd. as a sales engineer in October 1987, he worked for Hitachi Seiki as a technical sales engineer for machine tool products.

Stephen J. Alesia joined the Company in June 1996 and was elected an executive officer in September 1996. Prior to joining the Company, Mr. Alesia was employed for seven years by Arthur Andersen LLP, an international public accounting firm.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers, and persons who own more than ten percent (10%) of the Company's common stock, to file initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company with the Securities and Exchange Commission.

To the Company's knowledge, based solely upon a review of copies of such reports furnished to the Company during and pertaining to its most recent fiscal year, and certain written representations, all Section 16(a) filings applicable to the Company's executive officers, directors and greater than ten percent (10%) beneficial owners were made on a timely basis during the most recent fiscal year.

ITEM 11. EXECUTIVE COMPENSATION

SUMMARY COMPENSATION

The following table sets forth all compensation paid or accrued during each of the last three fiscal years to the Chief Executive Officer and each of the other most highly compensated executive officers of the Company based on salaries and bonuses earned during fiscal 1996 (the Named Executive Officers). No other executive officer earned more than $100,000 in salary and bonuses during fiscal 1996.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Fiscal Year	Annual Compensation Salary ($)	Bonus ($) (1)	Other Annual Compensation ($)	Long-Term Compensation Securities Underlying Option (2)	All Other Compensation ($) (3)
Brian D. McLaughlin	1996	$238,133	$80,000		15,000	$3,325
President and CEO	1995	226,936	75,000	--	10,000	3,234
	1994	220,000	--	--	70,000 (4)	2,302
Roger J. Wolf	1996	148,500	75,000		3,000	2,880
Sr. VP, Secretary	1995	139,731	45,000	--	15,000	3,063
Treasurer and CFO	1994	135,000	7,000	$16,308 (5)	7,000	1,934
James D. Fabris	1996	122,500	50,000		10,000	3,199
V. P. of the Company	1995	107,885	45,000	--	5,000	2,210
and President Hurco Machine Tool Products	1994	98,335	--	--	13,000	1,295
David E. Platts	1996	93,917	20,000		5,000	

Vice President Research&Development	1995	87,834	15,000	--	10,000	
Richard Blake V. P. of the Company and Managing Director Hurco Europe Ltd.	1996	87,373	46,311	--	15,000	3,841

- --------------------------

(1) Represents cash bonuses earned and paid in the subsequent year.
(2) Represents options granted under the stock option plan related to the prior year's performance, other than specified below. The Company has not granted any Stock Appreciation Rights (SARs).
(3) Represents the Company's contribution to defined contribution plans.
(4) Represents options granted under the stock option plan to replace options that had expired during the fiscal year. (5) Represents amounts reimbursed during the fiscal year for the payment of taxes related to relocation expenses.

STOCK OPTIONS

The following table sets forth information related to options granted to the Named Executive Officers during the 1996 fiscal year. The Company has not granted any Stock Appreciation Rights (SARs).

OPTION GRANTS DURING 1996 FISCAL YEAR

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (1)	
Name	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees in Fiscal Year	Exercise Price ($/SH)	Expiration Date	5% ($)	10%($)
Brian D. McLaughlin	10,000 (2)	9.5%	$5.125	7/08/06	$32,231	$81,679
Roger J. Wolf	3,000 (2)	2.9%	$5.125	7/08/06	$9,669	$24,504
James D. Fabris	10,000 (3)	9.5%	$5.125	7/08/06	$32,231	$81,679
David E. Platts	5,000 (3)	4.8%	$5.125	7/08/06	$16,116	$40,839
Richard Blake	10,000 (3)	9.5%	$5.063	12/15/05	$31,840	$80,690
	5,000 (3)	4.8%	$5.125	7/08/06	$16,116	$40,839

- ----------------------------

(1) The potential realizable value illustrates value that might be realized upon the exercise of the options immediately prior to the expiration of their terms, assuming the specified compounded rates of appreciation on the Company's common stock from the date of grant through the term of the options. These numbers do not take into account provisions that may result in termination of the options following termination of employment or the vesting periods of three years.
(2) Options may be exercised in three equal annual installments, or parts thereof, commencing on the first anniversary date of the grant.
(3) Options may be exercised in five equal annual installments, or parts thereof, commencing on the first anniversary date of the grant.

The following table sets forth information related to options exercised during the 1996 fiscal year and options held at fiscal year-end by the Named Executive Officers. The Company does not have any outstanding SARs.

AGGREGATED OPTION EXERCISES IN FISCAL 1996 AND YEAR-END OPTION VALUES

			Number of Securities Underlying Unexercised Options at FY-End (#)		Value of Unexercised In-the-Money Options at FY-End ($) (1)	
Name	Shares Acquired on Exercise (#)	Value Realized ($)	Exer-cisable	Unexer-cisable	Exer-cisable	Unexer-cisable

Brian D. McLaughlin	--	--	81,999	43,001	$101,665	$54,585
Roger J. Wolf	--	--	24,667	25,333	$13,667	$12,458
James D. Fabris	--	--	14,900	25,100	$35,050	$30,075
David E. Platts	--	--	16,000	14,000	$36,500	$ 8,500
Richard Blake	--	--	2,400	18,600	$ 5,850	$ 8,775

- ---------------------------------------

(1) Value is calculated based on the closing market price of the common stock on October 31, 1996 ($4.625) less the option exercise price.

COMPENSATION OF DIRECTORS

Each director who is not an employee of the Company receives a fee of $1,000 for each meeting of the Board of Directors attended, and each such director also receives $3,000 per quarter. Directors are also entitled to receive reimbursement for travel and other expenses incurred in attending such meetings. Employee directors receive no fees. Mr. Niner received annual compensation of $72,000 and a $25,000 bonus for his services as Chairman of the Executive Committee of the Board of Directors. On July 8, 1996, each director was granted 10,000 options each.

EMPLOYMENT CONTRACTS

Brian D. McLaughlin entered into an employment contract on December 14, 1987. The contract term is month-to-month. Mr. McLaughlin's salary and bonus arrangements are set annually by the Board of Directors. Other compensation, such as stock option grants, is awarded periodically at the discretion of the Board of Directors. As part of that contract, Mr. McLaughlin is entitled to 12 months' salary if his employment is terminated for any reason other than gross misconduct.

Roger J. Wolf entered into an employment contract on January 8, 1993. The contract term is unspecified. Mr. Wolf's salary and bonus arrangements are set annually by the Board of Directors. Other compensation, such as stock option grants, is awarded periodically at the discretion of the Board of Directors. As part of that contract, Mr. Wolf is entitled to 12 months' salary if his employment is terminated without just cause.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During fiscal 1996 the members of the Compensation Committee were Hendrik J. Hartong, Jr., O. Curtis Noel and Charles E. Mitchell Rentschler. None of the Committee members is a current or former officer or employee of the Company or any of its subsidiaries. Mr. Hartong is a director of AEI. Mr. Hartong is also a general partner of Brynwood Management, which is the general partner of Brynwood Partners Limited Partnership, which has substantial ownership interest in AEI. AEI provides freight forwarding and shipping services for the Company. The cost of these freight services are negotiated on an arms-length basis and amounted to $1,773,000 for the fiscal year ended October 31, 1996. None of the Committee members are involved in any other relationships requiring disclosure as an interlocking officer / director.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information as of January 10, 1997, regarding beneficial ownership of the Company's common stock by each director and named executive officer, by all directors and executive officers as a group, and by certain other beneficial owners of more than 5% of the common stock. Each such person has sole voting and investment power with respect to such securities, except as otherwise noted.

Name and Address	Shares Beneficially Owned Number	Percent
Other Beneficial Owners		
Brynwood Partners Limited Partnership Two Soundview Avenue Greenwich, Connecticut 06830	1,390,001	21.3%
Wellington Management Co. 75 State Street Boston, Massachusetts 02109	573,600 (1)	8.8%
The TCW Group, Inc. 865 South Figueroa Street Los Angeles, California 90017	508,200	7.8%
Directors and Executive Officers		
Hendrik J. Hartong, Jr.	1,685,572 (2,3,4)	25.8%
Andrew L. Lewis IV	14,000 (3)	0.2%
Brian D. McLaughlin	118,475 (5,6)	1.8%
E. Keith Moore	37,810 (7)	0.5%
Richard T. Niner	1,697,362 (2,3)	26.0%
O. Curtis Noel	5,000 (3)	0.1%
Charles E. Mitchell Rentschler	30,000 (3,8)	0.5%
Roger J. Wolf	30,059 (9)	0.5%
James D. Fabris	15,400 (10)	0.2%
Executive officers and directors as a group (12 persons)	1,985,776 (2,11)	30.4%

(1) Wellington Management Co. (WMC), a registered investment advisor, is deemed to have beneficial ownership of 573,600 shares of the Company's common stock, which is owned by various advisory clients of WMC. WMC has no voting power for 84,000 shares, shared voting power for 403,200 shares and sole voting power for 86,400 shares. WMC has shared investment power for all shares.

(2) Includes 1,390,001 shares owned by Brynwood Partners Limited Partnership, of which the sole general partner is Brynwood Management, a general partnership and 278,001 shares owned by Brynwood Partners II, L.P., private investment partnerships. Mr. Hartong and Mr. Niner are general partners of the general partner of each of these partnerships and may be deemed to have beneficial ownership of these shares.

(3) Includes 5,000 shares subject to options that are exercisable within 60 days.

(4) Includes 100 shares owned by Mr. Hartong's wife, which shares may be deemed to have beneficial ownership; also includes 3,000 shares which have shared voting and investment power.

(5) Includes 81,999 shares subject to options held by Mr. McLaughlin that are exercisable within 60 days; excludes 43,001 shares subject to options that are not exercisable within the next 60 days.

(6) Includes 10,876 shares owned by Mr. McLaughlin's wife and children, which shares he may be deemed to have beneficial ownership.

(7) Includes 10,800 shares subject to options held by Mr. Moore that are exercisable within 60 days; excludes 200 shares subject to options that are not exercisable within the next 60 days.

(8) Includes 6,000 shares owned by Mr. Rentschler's wife, which he may be deemed to have beneficial ownership.

(9) Includes 24,667 shares subject to options that are exercisable within 60 days; excludes 25,333 shares subject to options that are not exercisable within the next 60 days.

(10) Includes 14,900 shares subject to options that are exercisable within 60 days; excludes 25,100 shares subject to options that are not exercisable within the next 60 days.

(11) Includes 175,766 shares subject to options that are exercisable within 60 days.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company and Air Express International (AEI) are related parties because Brynwood Partners Limited Partnership holds a substantial ownership interest in both companies. Two of the Company's directors, Hendrik J. Hartong, Jr. and Richard T. Niner, are general partners of Brynwood Management, which is the general partner of Brynwood Partners Limited Partnership. AEI provides freight forwarding and shipping services for the Company. The cost of these freight services are negotiated on an arms length basis and amounted to $1,773,000 the year ended October 31, 1996.

PART IV

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

(a) 1. Financial Statements. The following consolidated financial statements of Registrant are included herein under Item 8 of Part II:

2. Financial Statement Schedules. The following financial statement schedule is included in this Item.

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

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the three months ended October 31, 1996.

(c) Exhibits

Exhibits are filed with this Form 10-K or incorporated herein by reference as listed on Pages 49-51.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
FOR THE YEARS ENDED OCTOBER 31, 1996, 1995 AND 1994
(Dollars in thousands)

Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
Allowance for doubtful accounts for the year ended:					
October 31, 1996	$1,070	$(63)	$ --	$222 [1]	$785
October 31, 1995	$1,046	$ 31	$ --	$ 7 [2]	$1,070
October 31, 1994	$ 979	$ 78	$ --	$ 11 [3]	$1,046
Accrued warranty expenses for the year ended:					
October 31, 1996	$1,391	$1,544	$--	$1,510	$1,425
October 31, 1995	$1,170	$1,541	$--	$1,320	$1,391
October 31, 1994	$1,084	$1,539	$--	$1,453	$1,170

1 Receivable write-offs of $228,000, net of cash recoveries on accounts previously written off of $6,000.
2 Receivable write-offs of $42,000, net of cash recoveries on accounts previously written off of $35,000.
3 Receivable write-offs of $20,000, net of cash recoveries on accounts previously written off of $9,000.

EXHIBITS INDEX

Exhibits Filed. The following exhibits are filed with this Report:

10.47 Non-qualified Stock Option Agreement between the Registrant and Hendrik J. Hartong, Jr., effective July 8, 1996.

10.48 Non-qualified Stock Option Agreement between the Registrant and Andrew L. Lewis IV, effective July 8, 1996.

10.49 Non-qualified Stock Option Agreement between the Registrant and Richard

T. Niner, effective July 8, 1996.

10.50 Non-qualified Stock Option Agreement between the Registrant and O. Curtis Noel, effective July 8, 1996.

10.51 Non-qualified Stock Option Agreement between the Registrant and Charles E. Mitchell Rentschler, effective July 8, 1996.

11 Statement re: computation of per share earnings.

21 Subsidiaries of the Registrant.

23 Consent of Independent Public Accountants - Arthur Andersen LLP.

27 Financial Data Schedule (electronic filing only).

Exhibits Incorporated by Reference. The following exhibits are incorporated into this Report:

3.1 Amended and Restated Articles of Incorporation of the Registrant, incorporated by reference, as Exhibit 3.1, to the Registrant's Annual Report on Form 10-K for the year ended October 31, 1989.

3.2 Amended and Restated By-Laws of the Registrant, incorporated by reference, as Exhibit 3.2, to the Registrant's Annual Report on Form 10-K for the year ended October 31, 1990.

3.3 Amended and Restated By-Laws of the Registrant dated September 12, 1995, incorporated by reference, as Exhibit 3.3, to the Registrant's Quarterly Report on Form 10-Q for the quarter ended January 31, 1996.

10.13 The Underlease between Dikappa (Number 220) Limited and Northern & London Investment Trust limited dated December 2, 1982, incorporated by reference, as Exhibit 10.13, to its Registration Statement on Form S-1, No.2-82804 dated April 1, 1983.

10.20.1 Term Loan Agreement dated September 9, 1991, between the Registrant and NBD Bank, N.A., incorporated by reference, as Exhibit 10.20.1, to the Registrant's Annual Report on Form 10-K for the year ended October 31, 1991.

10.20.5 Letter Agreement (European Facility) dated June 17, 1993, between the Registrant's subsidiaries and NBD Bank, N.A., incorporated by reference, as Exhibit 10.20.5, to the Registrant's Annual Report on Form 10-K for the year ended October 31, 1993.

10.20.9 Amendment to Letter Agreement (European Facility) dated March 24, 1994, between the Registrant's foreign subsidiaries and NBD Bank, N.A., incorporated by reference, as Exhibit 10.20.9, to the Registrant's Report on Form 8-K dated August 1, 1994.

10.20.11 Security Agreement dated March 24, 1994, between the Registrant and NBD Bank, N.A. as collateral agent, incorporated by reference, as Exhibit 10.20.11, to the Registrant's Report on Form 8-K dated August 1, 1994.

10.20.13 Guaranty Agreement dated March 24, 1994, between Autocon Technologies, Inc. and NBD Bank, N.A., incorporated by reference, as Exhibit 10.20.13, to the Registrant's Report on Form 8-K dated August 1, 1994.

10.20.14 Pledge Agreement dated March 24, 1994, between the Registrant and NBD Bank, N.A. as collateral agent, incorporated by reference, as Exhibit 10.20.14, to the Registrant's Report on Form 8-K dated August 1, 1994.

10.20.16 Second Amendment to Letter Agreement (European Facility), dated January 31, 1995, among the Registrant's foreign subsidiaries and NBD Bank, incorporated by reference, as Exhibit 10.20.16, to the Registrant's Report on Form 10-K for the year ended October 31, 1995.

10.20.19 Third Amendment to Letter Agreement (European Facility), dated May

31, 1995, among the Registrant's foreign subsidiaries and NBD Bank, incorporated by reference, as Exhibit 10.20.19, to the Registrant's Report on Form 10-K for the year ended October 31, 1995.

10.20.22 Fourth Amendment to Letter Agreement (European Facility), dated August 1, 1995, among the Registrant's foreign subsidiaries and NBD Bank, incorporated by reference, as Exhibit 10.20.22, to the Registrant's Report on Form 10-K for the year ended October 31, 1995.

10.20.26 Amended and Restated Credit Agreement and Amendment to Term Loan Agreement, dated January 26, 1996, between the Registrant and NBD Bank, incorporated by reference, as Exhibit 10.20.26,to the Registrant's Report on Form 10-Q for the quarter ended January 31, 1996.

10.20.27 Fifth Amendment to Letter Agreement (European Facility), dated January 26, 1996, among the Registrant's foreign subsidiaries and NBD Bank, incorporated by reference, as Exhibit 10.20.27, to the Registrant's Report on Form 10-Q for the quarter ended January 31, 1996.

10.20.28 Amended and Restated Intercreditor, Agency and Sharing Agreement, dated January 26, 1996, among the Registrant, NBD Bank, Principal Mutual Life Insurance Company and NBD Bank as Agent, incorporated by reference as Exhibit 10.20.28, to the Registrant's Report on Form 10-Q for the quarter ended January 31, 1996.

10.34 Employment Agreement between the Registrant and Brian D. McLaughlin, dated December 14, 1987, incorporated by reference, as Exhibit 10.34, to the Registrant's Annual Report on Form 10-K for the year ended October 31, 1987.

10.42.2 Amended and Restated Note Agreement dated March 24, 1994, between the Registrant and Principal Mutual Life Insurance Company, incorporated by reference, as Exhibit 10.42.2, to the Registrant's Report on Form 8-K dated August 1, 1994.

10.42.3 Guaranty Agreement dated March 24, 1994, between Autocon Technologies, Inc. and Principal Mutual Life Insurance Company, incorporated by reference, as Exhibit 10.42.3, to the Registrant's Report on Form 8-K dated August 1, 1994.

10.42.4 Amendment and Notes Modification Agreement, dated January 31, 1995, between the Registrant and Principal Mutual Life Insurance Company, incorporated by reference, as Exhibit 10.42.4, to the Registrant's Report on 10-K for the year ended October 31, 1995.

10.42.5 Amendment to Amended and Restated Note Agreement, dated May 31, 1995, between the Registrant and Principal Mutual Life Insurance Company, incorporated by reference, as Exhibit 10.42.5, to the Registrant's Report on Form 10-K for the year ended October 31, 1995.

10.42.6 Third Amendment to Amended and Restated Note Agreement, dated July 31, 1995, between the Registrant and Principal Mutual Life Insurance Company, incorporated by reference, as Exhibit 10.42.6, to the Registrant's Report on Form 10-K for the year ended October 31, 1995.

10.42.7 Fourth Amendment to Amended and Restated Note Agreement, dated January 26, 1996, between the Registrant and Principal Mutual Life Insurance, incorporated by reference, as Exhibit 10.42.7, to the Registrant's Report on Form 10-Q for the quarter ended January 31, 1996.

10.44 Non-Qualified Stock Option Agreement between the Registrant and O. Curtis Noel effective, March 3, 1993, incorporated by reference, as Exhibit 10.44, to the Registrant's Annual Report on Form 10-K for the year ended October 31, 1993.

10.45 Employment Agreement between the Registrant and Roger J. Wolf dated January 8, 1993, incorporated by reference, as Exhibit 10.45, to the Registrant's Annual Report on Form 10-K for the year ended October 31, 1993.

10.46 Standby Purchase Agreement between the Registrant and Brynwood Partners II L.P. dated June 6, 1996, incorporated by reference as Exhibit 1, on Form S-3 (Registration No. 333-5295) as filed with the Commission on June 6, 1996.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, this 28 day of January, 1996.

HURCO COMPANIES, INC.

By:/s/ ROGER J. WOLF
Roger J. Wolf
Senior Vice-President,
Secretary, Treasurer and
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature and Title(s)	Date
/s/ BRIAN D. McLAUGHLIN Brian D. McLaughlin, Director, President and Chief Executive Officer of Hurco Companies, Inc. (Principal Executive Officer)	January 28, 1997
/s/ ROGER J. WOLF Roger J. Wolf Senior Vice-President, Secretary, Treasurer and Chief Financial Officer of Hurco Companies, Inc. (Principal Financial Officer)	January 28, 1997
/s/ STEPHEN J. ALESIA Stephen J. Alesia Corporate Controller of Hurco Companies, Inc. (Principal Accounting Officer)	January 28, 1997
/s/ HENDRIK J. HARTONG, JR. Hendrik J. Hartong, Jr., Director	January 28, 1997
/s/ ANDREW L. LEWIS IV Andrew L. Lewis, IV, Director	January 28, 1997

/s/ E. KEITH MOORE E. Keith Moore, Director	January 28, 1997
/s/ RICHARD T. NINER Richard T. Niner, Director	January 28, 1997
/s/ O. CURTIS NOEL O. Curtis Noel, Director	January 28, 1997
/s/ CHARLES E. M. RENTSCHLER Charles E.M. Rentschler, Director	January 28, 1997

Exhibit 10.47

NON-QUALIFIED STOCK OPTION AGREEMENT
between the Registrant and Hendrik J. Hartong, Jr.
Effective July 8, 1996

==

==

==
==

HURCO COMPANIES, INC.

==
==

==

NON-QUALIFIED STOCK OPTION AGREEMENT

THIS AGREEMENT is made and entered into as of July 8, 1996, by and between Hurco Companies, Inc., an Indiana corporation ("Company"), and Hendrik J. Hartong, Jr. ("Director").

RECITALS:

A. Director is a member of the Board of Directors of the Company and is in a position to contribute significantly to the Company's long-term growth and strategic goals.

B. As an added incentive to advance the interests of the Company and in recognition of the service and leadership of Director, the Board of Directors of the Company granted to Director on July 8, 1996, non-qualified stock options to purchase shares of the Common Stock of the Company. The stock options granted hereby are separate and distinct from the 1990 stock Option Plan of the Company.

In consideration of the premises, the parties hereto agree as follows:

1. Grant of Options. The Company hereby grants to Director the right, privilege, and option to purchase 10,000 shares of its Common Stock at the purchase price of $5.125 per share, in the manner and subject to the conditions hereinafter provided.

2. Time of Exercise of Options. The Options may be exercised in whole or in part from time to time during the period from July 8, 1997 through July 8, 2002.

3. Method of Exercise. The Options shall be exercised by written notice directed to the Company in the form attached hereto as Exhibit "A", accompanied by a check in full payment of the option price for the specified number of shares purchased. The Company shall make prompt delivery of the certificate or certificates for such shares, provided that if any law or regulation requires the Company to take any action with respect to the shares specified in such notice before the issuance thereof, then the date of delivery of such shares shall be extended for the period necessary to take such action.

4. Termination of Options. Except as herein otherwise stated, the Options to the extent not previously exercised or expired, shall terminate and expire upon the first to occur of the following dates:

(a) The expiration of six (6) months after the date on which Director's service as a member of the Board of Directors of the Company ceases;

(b) The expiration of twelve (12) months after the date on which Director's service as a member of the Board of Directors ceases by reason of his permanent and total disability or death; or

(c) July 8, 2002.

5. Reclassification, Consolidation, or Merger. If and to the extent that the number of issued shares of the Common Stock of the Company shall be increased or reduced by change in par value, split up, reclassification, distribution of a stock dividend of 5% or more, or the like, the number of shares subject to options and the option price per share shall be proportionately adjusted.

If the Company is the surviving corporation in any reorganization, consolidation or merger with another corporation, Director shall be entitled to receive options covering shares of such reorganized, consolidated, or merged company in the same proportion, at an equivalent price, and subject to the same conditions, provided, however, that the new options or assumption of the old options shall not give the Director additional benefits which he did not have under the old options, or deprive him of benefits which he had under the old options.

6. Rights Prior to Exercise of Options. The Options are non-transferable by Director and are exercisable only by him during his lifetime, except that in the case of his judicially declared incompetence or disability the Options may be exercised by the legally appointed guardian or conservator of his estate. In the case of the Director's death while any part of the Options are outstanding, the Options may be exercised by the executor of his will or administrator of his estate or, if the administration of his estate has been closed, by his heirs or legatees entitled thereto. Neither the Director nor any person claiming under or through him shall have any rights as a shareholder of the Company with respect to any of the option shares until full payment of the option price and delivery to him of certificates for such shares as herein provided.

7. Restrictions on Disposition. All shares acquired by Director pursuant to this Non-Qualified Stock Option Agreement shall be subject to the following restrictions: The shares will be "restricted securities" as defined in Rule 144 under the Securities Act of 1933 ("Act") and must be held indefinitely unless subsequently registered under the Act or an exemption from such registration is available. The Company is not obligated to register the shares under the Act. The shares acquired pursuant to exercise of the Options shall be acquired for Director's own account for investment for an indefinite period and not with a view to the sale or distribution of any part or all thereof, by public or private sale or other disposition. Notwithstanding the foregoing, the Company may refuse to transfer the shares until it receives an opinion of counsel for the Company that such transfer is exempt from registration under the Act or qualification under any other securities law.

8. Payment of Taxes on Exercise of Options. Whenever shares of Common Stock are to be issued to Director in connection with the exercise of the Options, the Company shall have the right to require him to remit to the Company an amount sufficient to satisfy federal, state, and local withholding tax requirements prior to the delivery of any certificate or certificates for such shares. In the alternative, the Company may elect to withhold from the shares to be issued that number of shares (based on the market value of the stock at that time) which would satisfy the tax withholding amount due.

9. Binding Effect. This Non-Qualified Stock Option Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators successors and assigns.

IN WITNESS WHEREOF, the parties hereby have executed this Non-Qualified Stock Option Agreement to be effective on the day and year first above written.

HURCO COMPANIES, INC.

By:/s/ Brian D. McLaughlin
Brian D. McLaughlin

President
Chief Executive Officer
"Company"

By:/s/ Hendrik J. Hartong, Jr.
Hendrik J. Hartong, Jr.
"Director"

EXHIBIT "A"

- ------------------------
(date)

Hurco Companies, Inc.
Attn: Corporate Investor Relations
One Technology Way
P.O. Box 68180
Indianapolis, Indiana 46268

Under the provisions of the Non-Qualified Stock Option Agreement for shares of Stock of Hurco Companies, Inc., granted to me on ________________, I give notice of my election to purchase _______ shares covered by that Agreement.

Delivered herewith is my check in the amount of $___________ in payment of the option price.

My exact name, my Social Security Number and address as I wish it to appear on the stock certificate, or certificates, is as follows:

Name: _____________________________________
Address: _____________________________________

Social Security Number: ______________________

I hereby represent and agree that all of the shares of Stock being purchased by me hereunder are being acquired for investment and not with a view to the sale or distribution thereof and that I understand that such shares of Stock have not been registered under the Securities Act of 1933, as amended, or the Indiana Securities Law, as amended, and may not be sold, transferred, pledged, hypothecated, alienated or otherwise assigned or disposed of without either registration under such laws or an exemption provided by such laws or the rules promulgated thereunder, and the Company shall have received a satisfactory opinion of counsel to that effect.

Very truly yours,

- ------------------------
(signature)

Exhibit 10.48

NON-QUALIFIED STOCK OPTION AGREEMENT
between the Registrant and Andrew L. Lewis IV
Effective July 8, 1996

==

==
==

==
==
HURCO COMPANIES, INC.
==
==

==

NON-QUALIFIED STOCK OPTION AGREEMENT

THIS AGREEMENT is made and entered into as of July 8, 1996, by and between Hurco Companies, Inc., an Indiana corporation ("Company"), and Andrew L. Lewis IV ("Director").

RECITALS:

A. Director is a member of the Board of Directors of the Company and is in a position to contribute significantly to the Company's long-term growth and strategic goals.

B. As an added incentive to advance the interests of the Company and in recognition of the service and leadership of Director, the Board of Directors of the Company granted to Director on July 8, 1996, non-qualified stock options to purchase shares of the Common Stock of the Company. The stock options granted hereby are separate and distinct from the 1990 stock Option Plan of the Company.

In consideration of the premises, the parties hereto agree as follows:

1. Grant of Options. The Company hereby grants to Director the right, privilege, and option to purchase 10,000 shares of its Common Stock at the purchase price of $5.125 per share, in the manner and subject to the conditions hereinafter provided.

2. Time of Exercise of Options. The Options may be exercised in whole or in part from time to time during the period from July 8, 1997 through July 8, 2002.

3. Method of Exercise. The Options shall be exercised by written notice directed to the Company in the form attached hereto as Exhibit "A", accompanied by a check in full payment of the option price for the specified number of shares purchased. The Company shall make prompt delivery of the certificate or certificates for such shares, provided that if any law or regulation requires the Company to take any action with respect to the shares specified in such notice before the issuance thereof, then the date of delivery of such shares shall be extended for the period necessary to take such action.

4. Termination of Options. Except as herein otherwise stated, the Options to the extent not previously exercised or expired, shall terminate and expire upon the first to occur of the following dates:

(a) The expiration of six (6) months after the date on which Director's service as a member of the Board of Directors of the Company ceases;

(b) The expiration of twelve (12) months after the date on which Director's service as a member of the Board of Directors ceases by reason of his permanent and total disability or death; or

(c) July 8, 2002.

5. Reclassification, Consolidation, or Merger. If and to the extent that the number of issued shares of the Common Stock of the Company shall be increased or reduced by change in par value, split up, reclassification, distribution of a stock dividend of 5% or more, or the like, the number of shares subject to options and the option price per share shall be proportionately adjusted.

If the Company is the surviving corporation in any reorganization, consolidation or merger with another corporation, Director shall be entitled to receive options covering shares of such reorganized, consolidated, or merged company in the same proportion, at an equivalent price, and subject to the same conditions, provided, however, that the new options or assumption of the old options shall not give the Director additional benefits which he did not have under the old options, or deprive him of benefits which he had under the old options.

6. Rights Prior to Exercise of Options. The Options are non-transferable by Director and are exercisable only by him during his lifetime, except that in the case of his judicially declared incompetence or disability the Options may be exercised by the legally appointed guardian or conservator of his estate. In the case of the Director's death while any part of the Options are outstanding, the Options may be exercised by the executor of his will or administrator of his estate or, if the administration of his estate has been closed, by his heirs or legatees entitled thereto. Neither the Director nor any person claiming under or through him shall have any rights as a shareholder of the Company with respect to any of the option shares until full payment of the option price and delivery to him of certificates for such shares as herein provided.

7. Restrictions on Disposition. All shares acquired by Director pursuant to this Non-Qualified Stock Option Agreement shall be subject to the following restrictions: The shares will be "restricted securities" as defined in Rule 144 under the Securities Act of 1933 ("Act") and must be held indefinitely unless subsequently registered under the Act or an exemption from such registration is available. The Company is not obligated to register the shares under the Act. The shares acquired pursuant to exercise of the Options shall be acquired for Director's own account for investment for an indefinite period and not with a view to the sale or distribution of any part or all thereof, by public or private sale or other disposition. Notwithstanding the foregoing, the Company may refuse to transfer the shares until it receives an opinion of counsel for the Company that such transfer is exempt from registration under the Act or qualification under any other securities law.

8. Payment of Taxes on Exercise of Options. Whenever shares of Common Stock are to be issued to Director in connection with the exercise of the Options, the Company shall have the right to require him to remit to the Company an amount sufficient to satisfy federal, state, and local withholding tax requirements prior to the delivery of any certificate or certificates for such shares. In the alternative, the Company may elect to withhold from the shares to be issued that number of shares (based on the market value of the stock at that time) which would satisfy the tax withholding amount due.

9. Binding Effect. This Non-Qualified Stock Option Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and assigns.

IN WITNESS WHEREOF, the parties hereby have executed this Non-Qualified Stock Option Agreement to be effective on the day and year first above written.

HURCO COMPANIES, INC.

By:/s/ Brian D. McLaughlin
Brian D. McLaughlin
President
Chief Executive Officer
"Company"

By:/s/ Andrew L. Lewis IV
Andrew L. Lewis IV
"Director"

EXHIBIT "A"

- ------------------------
(date)

Hurco Companies, Inc.
Attn: Corporate Investor Relations
One Technology Way
P.O. Box 68180
Indianapolis, Indiana 46268

Under the provisions of the Non-Qualified Stock Option Agreement for shares of Stock of Hurco Companies, Inc., granted to me on ________________, I give notice of my election to purchase _______ shares covered by that Agreement.

Delivered herewith is my check in the amount of $___________ in payment of the option price.

My exact name, my Social Security Number and address as I wish it to appear on the stock certificate, or certificates, is as follows:

Name: _____________________________________
Address: _____________________________________

Social Security Number: ______________________

I hereby represent and agree that all of the shares of Stock being purchased by me hereunder are being acquired for investment and not with a view to the sale or distribution thereof and that I understand that such shares of Stock have not been registered under the Securities Act of 1933, as amended, or the Indiana Securities Law, as amended, and may not be sold, transferred, pledged, hypothecated, alienated or otherwise assigned or disposed of without either registration under such laws or an exemption provided by such laws or the rules promulgated thereunder, and the Company shall have received a satisfactory opinion of counsel to that effect.

Very truly yours,

- ------------------------
(signature)

Exhibit 10.49

NON-QUALIFIED STOCK OPTION AGREEMENT
between the Registrant and Richard T. Niner
Effective July 8, 1996

==
HURCO COMPANIES, INC.
==

NON-QUALIFIED STOCK OPTION AGREEMENT

THIS AGREEMENT is made and entered into as of July 8, 1996, by and between Hurco Companies, Inc., an Indiana corporation ("Company"), and Richard T. Niner ("Director").

RECITALS:

A. Director is a member of the Board of Directors of the Company and is in a position to contribute significantly to the Company's long-term growth and strategic goals.

B. As an added incentive to advance the interests of the Company and in recognition of the service and leadership of Director, the Board of Directors of the Company granted to Director on July 8, 1996, non-qualified stock options to purchase shares of the Common Stock of the Company. The stock options granted hereby are separate and distinct from the 1990 stock Option Plan of the Company.

In consideration of the premises, the parties hereto agree as follows:

1. Grant of Options. The Company hereby grants to Director the right, privilege, and option to purchase 10,000 shares of its Common Stock at the purchase price of $5.125 per share, in the manner and subject to the conditions hereinafter provided.

2. Time of Exercise of Options. The Options may be exercised in whole or in part from time to time during the period from July 8, 1997 through July 8, 2002.

3. Method of Exercise. The Options shall be exercised by written notice directed to the Company in the form attached hereto as Exhibit "A", accompanied by a check in full payment of the option price for the specified number of shares purchased. The Company shall make prompt delivery of the certificate or certificates for such shares, provided that if any law or regulation requires the Company to take any action with respect to the shares specified in such notice before the issuance thereof, then the date of delivery of such shares shall be extended for the period necessary to take such action.

4. Termination of Options. Except as herein otherwise stated, the Options to the extent not previously exercised or expired, shall terminate and expire upon the first to occur of the following dates:

(a) The expiration of six (6) months after the date on which Director's service a member of the Board of Directors of the Company ceases;

(b) The expiration of twelve (12) months after the date on which Director's service as a member of the Board of Directors ceases by reason of his permanent and total disability or death; or

(c) July 8, 2002.

5. Reclassification, Consolidation, or Merger. If and to the extent that the number of issued shares of the Common Stock of the Company shall be increased or reduced by change in par value, split up, reclassification, distribution of a stock dividend of 5% or more, or the like, the number of shares subject to options and the option price per share shall be proportionately adjusted.

If the Company is the surviving corporation in any reorganization, consolidation or merger with another corporation, Director shall be entitled to receive options covering shares of such reorganized, consolidated, or merged company in the same proportion, at an equivalent price, and subject to the same conditions, provided, however, that the new options or assumption of the old options shall not give the Director additional benefits which he did not have under the old options, or deprive him of benefits which he had under the old options.

6. Rights Prior to Exercise of Options. The Options are non-transferable by Director and are exercisable only by him during his lifetime, except that in the case of his judicially declared incompetence or disability the Options may be exercised by the legally appointed guardian or conservator of his estate. In the case of the Director's death while any part of the Options are outstanding, the Options may be exercised by the executor of his will or administrator of his estate or, if the administration of his estate has been closed, by his heirs or legatees entitled thereto. Neither the Director nor any person claiming under or through him shall have any rights as a shareholder of the Company with respect to any of the option shares until full payment of the option price and delivery to him of certificates for such shares as herein provided.

7. Restrictions on Disposition. All shares acquired by Director pursuant to this Non-Qualified Stock Option Agreement shall be subject to the following restrictions: The shares will be "restricted securities" as defined in Rule 144 under the Securities Act of 1933 ("Act") and must be held indefinitely unless subsequently registered under the Act or an exemption from such registration is available. The Company is not obligated to register the shares under the Act. The shares acquired pursuant to exercise of the Options shall be acquired for Director's own account for investment for an indefinite period and not with a view to the sale or distribution of any part or all thereof, by public or private sale or other disposition. Notwithstanding the foregoing, the Company may refuse to transfer the shares until it receives an opinion of counsel for the Company that such transfer is exempt from registration under the Act or qualification under any other securities law.

8. Payment of Taxes on Exercise of Options. Whenever shares of Common Stock are to be issued to Director in connection with the exercise of the Options, the Company shall have the right to require him to remit to the Company an amount sufficient to satisfy federal, state, and local withholding tax requirements prior to the delivery of any certificate or certificates for such shares. In the alternative, the Company may elect to withhold from the shares to be issued that number of shares (based on the market value of the stock at that time) which would satisfy the tax withholding amount due.

9. Binding Effect. This Non-Qualified Stock Option Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and assigns.

IN WITNESS WHEREOF, the parties hereby have executed this Non-Qualified Stock Option Agreement to be effective on the day and year first above written.

HURCO COMPANIES, INC.

By:/s/ Brian D. McLaughlin
Brian D. McLaughlin
President
Chief Executive Officer
"Company"

By:/s/ Richard T. Niner
Richard T. Niner
"Director"

EXHIBIT "A"

- ------------------------
(date)

Hurco Companies, Inc.
Attn: Corporate Investor Relations
One Technology Way
P.O. Box 68180
Indianapolis, Indiana 46268

Under the provisions of the Non-Qualified Stock Option Agreement for shares of Stock of Hurco Companies, Inc., granted to me on ________________, I give notice of my election to purchase _______ shares covered by that Agreement.

Delivered herewith is my check in the amount of $___________ in payment of the option price.

My exact name, my Social Security Number and address as I wish it to appear on the stock certificate, or certificates, is as follows:

Name: _____________________________________
Address: _____________________________________
____
Social Security Number: ______________________

I hereby represent and agree that all of the shares of Stock being purchased by me hereunder are being acquired for investment and not with a view to the sale or distribution thereof and that I understand that such shares of Stock have not been registered under the Securities Act of 1933, as amended, or the Indiana Securities Law, as amended, and may not be sold, transferred, pledged, hypothecated, alienated or otherwise assigned or disposed of without either registration under such laws or an exemption provided by such laws or the rules promulgated thereunder, and the Company shall have received a satisfactory opinion of counsel to that effect.

Very truly yours,

- ------------------------
(signature)

Exhibit 10.50

NON-QUALIFIED STOCK OPTION AGREEMENT
between the Registrant and O. Curtis Noel
Effective July 8, 1996

HURCO COMPANIES, INC.

NON-QUALIFIED STOCK OPTION AGREEMENT

THIS AGREEMENT is made and entered into as of July 8, 1996, by and between Hurco Companies, Inc., an Indiana corporation ("Company"), and O. Curtis Noel ("Director").

RECITALS:

A. Director is a member of the Board of Directors of the Company and is in a position to contribute significantly to the Company's long-term growth and strategic goals.

B. As an added incentive to advance the interests of the Company and in recognition of the service and leadership of Director, the Board of Directors of the Company granted to Director on July 8, 1996, non-qualified stock options to purchase shares of the Common Stock of the Company. The stock options granted hereby are separate and distinct from the 1990 stock Option Plan of the Company.

In consideration of the premises, the parties hereto agree as follows:

1. Grant of Options. The Company hereby grants to Director the right, privilege, and option to purchase 10,000 shares of its Common Stock at the purchase price of $5.125 per share, in the manner and subject to the conditions hereinafter provided.

2. Time of Exercise of Options. The Options may be exercised in whole or in part from time to time during the period from July 8, 1997 through July 8, 2002.

3. Method of Exercise. The Options shall be exercised by written notice directed to the Company in the form attached hereto as Exhibit "A", accompanied by a check in full payment of the option price for the specified number of shares purchased. The Company shall make prompt delivery of the certificate or certificates for such shares, provided that if any law or regulation requires the Company to take any action with respect to the shares specified in such notice before the issuance thereof, then the date of delivery of such shares shall be extended for the period necessary to take such action.

4. Termination of Options. Except as herein otherwise stated, the Options to the extent not previously exercised or expired, shall terminate and expire upon the first to occur of the following dates:

(a) The expiration of six (6) months after the date on which Director's service as a member of the Board of Directors of the Company ceases;

(b) The expiration of twelve (12) months after the date on which Director's service as a member of the Board of Directors ceases by reason of his permanent and total disability or death; or

(c) July 8, 2002.

5. Reclassification, Consolidation, or Merger. If and to the extent that the number of issued shares of the Common Stock of the Company shall be increased or reduced by change in par value, split up, reclassification, distribution of a stock dividend of 5% or more, or the like, the number of shares subject to options and the option price per share shall be proportionately adjusted.

If the Company is the surviving corporation in any reorganization, consolidation or merger with another corporation, Director shall be entitled to receive options covering shares of such reorganized, consolidated, or merged company in the same proportion, at an equivalent price, and subject to the same conditions, provided, however, that the new options or assumption of the old options shall not give the Director additional benefits which he did not have under the old options, or deprive him of benefits which he had under the old options.

6. Rights Prior to Exercise of Options. The Options are non-transferable by Director and are exercisable only by him during his lifetime, except that in the case of his judicially declared incompetence or disability the Options may be exercised by the legally appointed guardian or conservator of his estate. In the case of the Director's death while any part of the Options are outstanding, the Options may be exercised by the executor of his will or administrator of his estate or, if the administration of his estate has been closed, by his heirs or legatees entitled thereto. Neither the Director nor any person claiming under or through him shall have any rights as a shareholder of the Company with respect to any of the option shares until full payment of the option price and delivery to him of certificates for such shares as herein provided.

7. Restrictions on Disposition. All shares acquired by Director pursuant to this Non-Qualified Stock Option Agreement shall be subject to the following restrictions: The shares will be "restricted securities" as defined in Rule 144 under the Securities Act of 1933 ("Act") and must be held indefinitely unless subsequently registered under the Act or an exemption from such registration is available. The Company is not obligated to register the shares under the Act. The shares acquired pursuant to exercise of the Options shall be acquired for Director's own account for investment for an indefinite period and not with a view to the sale or distribution of any part or all thereof, by public or private sale or other disposition. Notwithstanding the foregoing, the Company may refuse to transfer the shares until it receives an opinion of counsel for the Company that such transfer is exempt from registration under the Act or qualification under any other securities law.

8. Payment of Taxes on Exercise of Options. Whenever shares of Common Stock are to be issued to Director in connection with the exercise of the Options, the Company shall have the right to require him to remit to the Company an amount sufficient to satisfy federal, state, and local withholding tax requirements prior to the delivery of any certificate or certificates for such shares. In the alternative, the Company may elect to withhold from the shares to be issued that number of shares (based on the market value of the stock at that time) which would satisfy the tax withholding amount due.

9. Binding Effect. This Non-Qualified Stock Option Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and assigns.

IN WITNESS WHEREOF, the parties hereby have executed this Non-Qualified Stock Option Agreement to be effective on the day and year first above written.

HURCO COMPANIES, INC.

By:/s/ Brian D. McLaughlin

Brian D. McLaughlin
President
Chief Executive Officer
"Company"

By:___________________________
O. Curtis Noel
"Director"

EXHIBIT "A"

- ------------------------
(date)

Hurco Companies, Inc.
Attn: Corporate Investor Relations
One Technology Way
P.O. Box 68180
Indianapolis, Indiana 46268

Under the provisions of the Non-Qualified Stock Option Agreement for shares of Stock of Hurco Companies, Inc., granted to me on ________________, I give notice of my election to purchase _______ shares covered by that Agreement.

Delivered herewith is my check in the amount of $___________ in payment of the option price.

My exact name, my Social Security Number and address as I wish it to appear on the stock certificate, or certificates, is as follows:

Name: _____________________________________
Address: _____________________________________

Social Security Number: ______________________

I hereby represent and agree that all of the shares of Stock being purchased by me hereunder are being acquired for investment and not with a view to the sale or distribution thereof and that I understand that such shares of Stock have not been registered under the Securities Act of 1933, as amended, or the Indiana Securities Law, as amended, and may not be sold, transferred, pledged, hypothecated, alienated or otherwise assigned or disposed of without either registration under such laws or an exemption provided by such laws or the rules promulgated thereunder, and the Company shall have received a satisfactory opinion of counsel to that effect.

Very truly yours,

- ------------------------
(signature)

Exhibit 10.51

NON-QUALIFIED STOCK OPTION AGREEMENT
between the Registrant and Charles E. Mitchell Rentschler
Effective July 8, 1996

HURCO COMPANIES, INC.

NON-QUALIFIED STOCK OPTION AGREEMENT

THIS AGREEMENT is made and entered into as of July 8, 1996, by and between Hurco Companies, Inc., an Indiana corporation ("Company"), and Charles E. Mitchell Rentschler ("Director").

RECITALS:

A. Director is a member of the Board of Directors of the Company and is in a position to contribute significantly to the Company's long-term growth and strategic goals.

B. As an added incentive to advance the interests of the Company and in recognition of the service and leadership of Director, the Board of Directors of the Company granted to Director on July 8, 1996, non-qualified stock options to purchase shares of the Common Stock of the Company. The stock options granted hereby are separate and distinct from the 1990 stock Option Plan of the Company.

In consideration of the premises, the parties hereto agree as follows:

1. Grant of Options. The Company hereby grants to Director the right, privilege, and option to purchase 10,000 shares of its Common Stock at the purchase price of $5.125 per share, in the manner and subject to the conditions hereinafter provided.

2. Time of Exercise of Options. The Options may be exercised in whole or in part from time to time during the period from July 8, 1997 through July 8, 2002.

3. Method of Exercise. The Options shall be exercised by written notice directed to the Company in the form attached hereto as Exhibit "A", accompanied by a check in full payment of the option price for the specified number of shares purchased. The Company shall make prompt delivery of the certificate or certificates for such shares, provided that if any law or regulation requires the Company to take any action with respect to the shares specified in such notice before the issuance thereof, then the date of delivery of such shares shall be extended for the period necessary to take such action.

4. Termination of Options. Except as herein otherwise stated, the Options to the extent not previously exercised or expired, shall terminate and expire upon the first to occur of the following dates:

(a) The expiration of six (6) months after the date on which Director's service as a member of the Board of Directors of the Company ceases;

(b) The expiration of twelve (12) months after the date on which Director's service as a member of the Board of Directors ceases by reason of his permanent and total disability or death; or

(c) July 8, 2002.

5. Reclassification, Consolidation, or Merger. If and to the extent that the number of issued shares of the Common Stock of the Company shall be increased or reduced by change in par value, split up, reclassification, distribution of a stock dividend of 5% or more, or the like, the number of shares subject to options and the option price per share shall be proportionately adjusted.

If the Company is the surviving corporation in any reorganization, consolidation or merger with another corporation, Director shall be entitled to receive options covering shares of such reorganized, consolidated, or merged company in the same proportion, at an equivalent price, and subject to the same conditions, provided, however, that the new options or assumption of the old options shall not give the Director additional benefits which he did not have under the old options, or deprive him of benefits which he had under the old options.

6. Rights Prior to Exercise of Options. The Options are non-transferable by Director and are exercisable only by him during his lifetime, except that in the case of his judicially declared incompetence or disability the Options may be exercised by the legally appointed guardian or conservator of his estate. In the case of the Director's death while any part of the Options are outstanding, the Options may be exercised by the executor of his will or administrator of his estate or, if the administration of his estate has been closed, by his heirs or legatees entitled thereto. Neither the Director nor any person claiming under or through him shall have any rights as a shareholder of the Company with respect to any of the option shares until full payment of the option price and delivery to him of certificates for such shares as herein provided.

7. Restrictions on Disposition. All shares acquired by Director pursuant to this Non-Qualified Stock Option Agreement shall be subject to the following restrictions: The shares will be "restricted securities" as defined in Rule 144 under the Securities Act of 1933 ("Act") and must be held indefinitely unless subsequently registered under the Act or an exemption from such registration is available. The Company is not obligated to register the shares under the Act. The shares acquired pursuant to exercise of the Options shall be acquired for Director's own account for investment for an indefinite period and not with a view to the sale or distribution of any part or all thereof, by public or private sale or other disposition. Notwithstanding the foregoing, the Company may refuse to transfer the shares until it receives an opinion of counsel for the Company that such transfer is exempt from registration under the Act or qualification under any other securities law.

8. Payment of Taxes on Exercise of Options. Whenever shares of Common Stock are to be issued to Director in connection with the exercise of the Options, the Company shall have the right to require him to remit to the Company an amount sufficient to satisfy federal, state, and local withholding tax requirements prior to the delivery of any certificate or certificates for such shares. In the alternative, the Company may elect to withhold from the shares to be issued that number of shares (based on the market value of the stock at that time) which would satisfy the tax withholding amount due.

9. Binding Effect. This Non-Qualified Stock Option Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and assigns.

IN WITNESS WHEREOF, the parties hereby have executed this Non-Qualified Stock Option Agreement to be effective on the day and year first above written.

HURCO COMPANIES, INC.

By:/s/ Brian D. McLaughlin

Brian D. McLaughlin
President
Chief Executive Officer
"Company"

By:/s/ Charles E. Mitchell Rentschler
Charles E. Mitchell Rentschler
"Director"

EXHIBIT "A"

- ------------------------
(date)

Hurco Companies, Inc.
Attn: Corporate Investor Relations
One Technology Way
P.O. Box 68180
Indianapolis, Indiana 46268

Under the provisions of the Non-Qualified Stock Option Agreement for shares of Stock of Hurco Companies, Inc., granted to me on ________________, I give notice of my election to purchase _______ shares covered by that Agreement.

Delivered herewith is my check in the amount of $___________ in payment of the option price.

My exact name, my Social Security Number and address as I wish it to appear on the stock certificate, or certificates, is as follows:

Name: _____________________________________
Address: _____________________________________

Social Security Number: ______________________

I hereby represent and agree that all of the shares of Stock being purchased by me hereunder are being acquired for investment and not with a view to the sale or distribution thereof and that I understand that such shares of Stock have not been registered under the Securities Act of 1933, as amended, or the Indiana Securities Law, as amended, and may not be sold, transferred, pledged, hypothecated, alienated or otherwise assigned or disposed of without either registration under such laws or an exemption provided by such laws or the rules promulgated thereunder, and the Company shall have received a satisfactory opinion of counsel to that effect.

Very truly yours,

- ------------------------
(signature)

Exhibit 11

STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS

Exhibit 11

STATEMENT RE: COMPUTATION OF
PER SHARE EARNINGS

(in thousands, except per share amount)	1996 Primary	1996 Fully Diluted	1995 Primary	1995 Fully Diluted	1994 Primary	1994 Fully Diluted
Net income (loss)	$4,264	$4,264	$204	$204	$(5,791)	$(5,791)
Weighted average common shares outstanding	5,786	5,786	5,418	5,418	5,407	5,407
Assumed issuances under stock option plans (1)	121	121	118	164	--	--
	5,907	5,907	5,536	5,582	5,407	5,407
Earnings (loss) per common share	$.72	$.72	$.04	$.04	$(1.07)	$(1.07)

Year Ended October 31.

(1) No assumed issuances under stock option plans were made in 1994 because such issuances would have been anti-dilutive.

Exhibit 21

SUBSIDIARIES OF THE REGISTRANT

Exhibit 21

SUBSIDIARIES OF HURCO COMPANIES, INC.

Name	Jurisdiction of Incorporation
Autocon Technologies, Inc.	Indiana
IMS Technologies, Inc.	Virginia
Hurco GmbH	Federal Republic of Germany
Hurco S.A.R.L.	France
Hurco Europe Limited	United Kingdom
Hurco (S.E. Asia) Pte Ltd.	Singapore

Exhibit 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS
Arthur Andersen LLP

Exhibit 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

Hurco Companies, Inc.
Indianapolis, Indiana

As independent public accountants, we hereby consent to the incorporation of our report dated December 5, 1996, except with respect to the matter discussed in Note 4 as to which the date is January 22, 1997, included in this Form 10-K, into the Company's previously filed Registration Statement File No. 2-71597.

ARTHUR ANDERSEN LLP

Indianapolis, Indiana
January 24, 1997

<ARTICLE> 5
<LEGEND>
THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE ANNUAL REPORT FORM 10-K FOR THE PERIOD ENDED OCTOBER 31, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
</LEGEND>
<CIK> 0000315374
<NAME> DAWN HIATT
<MULTIPLIER> 1000
<CURRENCY> US DOLLARS

<PERIOD-TYPE>	YEAR
<FISCAL-YEAR-END>	OCT-31-1996
<PERIOD-START>	NOV-01-1995
<PERIOD-END>	OCT-31-1996
<EXCHANGE-RATE>	1
<CASH>	1,877
<SECURITIES>	0
<RECEIVABLES>	17,947
<ALLOWANCES>	785
<INVENTORY>	24,215
<CURRENT-ASSETS>	44,108
<PP&E>	21,520
<DEPRECIATION>	11,714
<TOTAL-ASSETS>	59,750
<CURRENT-LIABILITIES>	23,336
<BONDS>	0
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	653
<OTHER-SE>	15,488
<TOTAL-LIABILITY-AND-EQUITY>	59,750
<SALES>	99,351
<TOTAL-REVENUES>	99,351
<CGS>	92,273
<TOTAL-COSTS>	92,273
<OTHER-EXPENSES>	(491)
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	3,211
<INCOME-PRETAX>	4,358
<INCOME-TAX>	94
<INCOME-CONTINUING>	4,264
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	4,264
<EPS-PRIMARY>	.72
<EPS-DILUTED>	.72