UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

x ***QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934***
For the quarterly period ended May 1, 2011

OR

o ***TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934***
For the transition period from _____ to _____

Commission file number 0-15451

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

Connecticut	**06-0854886**
(State or other jurisdiction of incorporation or organization)	*(IRS Employer Identification Number)*

15 Secor Road, Brookfield, Connecticut 06804
(Address of principal executive offices and zip code)

(203) 775-9000
(Registrant's telephone number, including area code)

None
(Former name, former address and formal fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.
Large Accelerated Filer **o** Accelerated Filer **x** Non-Accelerated Filer **o** Smaller Reporting Company **o**

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at June 1, 2011
Common Stock, $0.01 par value	**58,785,077 Shares**

Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements made by or on behalf of Photronics, Inc. ("Photronics" or the "Company"). These statements are based on management's beliefs, as well as assumptions made by, and information currently available to, management. Forward-looking statements may be identified by words like "expect", "anticipate", "believe", "plan", "projects", and similar expressions, or the negative of such terms, or other comparable terminology. All forward-looking statements involve risks and uncertainties that are difficult to predict. In particular, any statement contained in this quarterly report on Form 10-Q, in press releases, written statements, or other documents filed with the Securities and Exchange Commission or, in the Company's communications and discussions with investors and analysts in the normal course of business through meetings, phone calls, or conference calls, regarding the consummation and benefits of future acquisitions, expectations with respect to future sales, financial performance, operating efficiencies, or product expansion, are subject to known and unknown risks, uncertainties, and contingencies, many of which are beyond the control of the Company. These factors may cause actual results, performance, or achievements to differ materially from anticipated results, performance, or achievements expressed or implied by such forward-looking statements. Factors that might affect such forward-looking statements include, but are not limited to, overall economic and business conditions; economic and political conditions in international markets; the demand for the Company's products; competitive factors in the industries and geographic markets in which the Company competes; changes in federal, state and international tax requirements (including tax rate changes, new tax laws and revised tax law interpretations); interest rate fluctuations and other capital market conditions, including changes in the market price of the Company's common stock; foreign currency exchange rate fluctuations; changes in technology; the timing, impact, and other uncertainties of future acquisitions; the seasonal and cyclical nature of the semiconductor and flat panel display industries; management changes; damage or destruction to the Company's facilities, or the facilities of its customers or suppliers by natural disasters, labor strikes, political unrest, or terrorist activity; the ability of the Company to place new equipment in service on a timely basis; obtain additional financing; achieve anticipated synergies and other cost savings in connection with acquisitions and productivity programs; fully utilize its tools; achieve desired yields, pricing, product mix, and market acceptance of its products; and obtain necessary export licenses. Any forward-looking statements should be considered in light of these factors. Accordingly, there is no assurance that the Company's expectations will be realized. The Company does not assume responsibility for the accuracy and completeness of the forward-looking statements and does not assume an obligation to provide revisions to any forward-looking statements.

PHOTRONICS, INC.
AND SUBSIDIARIES

INDEX

PART I.	**FINANCIAL INFORMATION**	**Page**
Item 1.	Condensed Consolidated Financial Statements	
	Condensed Consolidated Balance Sheets at May 1, 2011 and October 31, 2010	4
	Condensed Consolidated Statements of Operations for the Three and Six Months Ended May 1, 2011 and May 2, 2010	5
	Condensed Consolidated Statements of Cash Flows for the Six Months Ended May 1, 2011 and May 2, 2010	6
	Notes to Condensed Consolidated Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	22
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	29
Item 4.	Controls and Procedures	30
PART II.	**OTHER INFORMATION**	
Item 1A.	Risk Factors	31
Item 6.	Exhibits	31

PART I. FINANCIAL INFORMATION

Item 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PHOTRONICS, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(in thousands, except per share amounts)
(unaudited)

	May 1, 2011	October 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 186,112	$ 98,945
Accounts receivable, net of allowance of $4,249 in 2011 and $4,235 in 2010	98,510	82,951
Inventories	27,904	15,502
Deferred income taxes	1,238	1,173
Other current assets	6,159	7,231
Total current assets	319,923	205,802
Property, plant and equipment, net	403,413	369,814
Investment in joint venture	72,001	61,127
Intangible assets, net	44,951	47,748
Other assets	22,263	19,388
	$ 862,551	$ 703,879
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term borrowings	$ 5,827	$ 11,467
Accounts payable	100,496	77,630
Accrued liabilities	34,128	30,132
Total current liabilities	140,451	119,229
Long-term borrowings	159,558	78,852
Deferred income taxes	533	499
Other liabilities	9,394	9,356
Total liabilities	309,936	207,936
Commitments and contingencies		
Equity:		
Preferred stock, $0.01 par value, 2,000 shares authorized, none issued and outstanding	-	-
Common stock, $0.01 par value, 150,000 shares authorized, 58,539 shares issued and outstanding at May 1, 2011 and 53,779 at October 31, 2010	585	538
Additional paid-in capital	478,009	436,825
Accumulated deficit	(6,951)	(2,624)
Accumulated other comprehensive income	23,991	7,062
Total Photronics, Inc. shareholders' equity	495,634	441,801
Noncontrolling interests	56,981	54,142
Total equity	552,615	495,943
	$ 862,551	$ 703,879

See accompanying notes to condensed consolidated financial statements.

PHOTRONICS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended		Six Months Ended	
	May 1, 2011	May 2, 2010	May 1, 2011	May 2, 2010
Net sales	$ 133,103	$ 105,070	$ 253,926	$ 203,267
Costs and expenses:				
Cost of sales	(96,617)	(82,980)	(186,845)	(163,000)
Selling, general and administrative	(11,448)	(10,870)	(22,162)	(21,018)
Research and development	(3,940)	(3,601)	(7,711)	(7,556)
Consolidation, restructuring and related credits	-	5,029	-	4,836
Operating income	21,098	12,648	37,208	16,529
Other income (expense):				
Debt extinguishment loss	(30,286)	-	(30,286)	-
Interest expense	(1,881)	(3,059)	(3,592)	(5,981)
Investment and other income (expense), net	(704)	876	1,963	1,345
Income (loss) before income taxes	(11,773)	10,465	5,293	11,893
Income tax provision	(3,260)	(1,860)	(6,742)	(2,880)
Net income (loss)	(15,033)	8,605	(1,449)	9,013
Net income attributable to noncontrolling interests	(1,405)	(732)	(2,878)	(927)
Net income (loss) attributable to Photronics, Inc.	$ (16,438)	$ 7,873	$ (4,327)	$ 8,086
Earnings (loss) per share:				
Basic	$ (0.30)	$ 0.15	$ (0.08)	$ 0.15
Diluted	$ (0.30)	$ 0.14	$ (0.08)	$ 0.15
Weighted-average number of common shares outstanding:				
Basic	55,685	53,405	54,751	53,253
Diluted	55,685	65,780	54,751	54,291

See accompanying notes to condensed consolidated financial statements.

PHOTRONICS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Six Months Ended	
	May 1, 2011	**May 2, 2010**
Cash flows from operating activities:		
Net income (loss)	$ (1,449)	$ 9,013
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	46,467	45,863
Debt extinguishment loss	23,504	-
Consolidation, restructuring and related credits	-	(5,059)
Changes in assets and liabilities:		
Accounts receivable	(11,380)	(12,918)
Inventories	(11,450)	(592)
Other current assets	1,500	1,199
Accounts payable, accrued liabilities, and other	16,798	(3,743)
Net cash provided by operating activities	63,990	33,763
Cash flows from investing activities:		
Purchases of property, plant and equipment	(39,254)	(31,003)
Investment in joint venture	(8,498)	-
Proceeds from sale of facility	-	12,880
Increase in restricted cash	-	(1,250)
Other	(250)	255
Net cash used in investing activities	(48,002)	(19,118)
Cash flows from financing activities:		
Proceeds from issuance of convertible debt	115,000	-
Proceeds from long-term borrowings	17,000	26,622
Repayments of long-term borrowings	(60,303)	(40,302)
Payments of deferred financing fees	(4,145)	(1,056)
Repurchase of common stock by subsidiary	(3,294)	-
Proceeds from exercise of share-based arrangements	356	71
Net cash provided by (used in) financing activities	64,614	(14,665)
Effect of exchange rate changes on cash	6,565	2,891
Net increase in cash and cash equivalents	87,167	2,871
Cash and cash equivalents at beginning of period	98,945	88,539
Cash and cash equivalents at end of period	$ 186,112	$ 91,410
Supplemental disclosure of cash flow information:		
Capital lease obligation for purchase of equipment	$ 21,248	$ -
Common stock issued to extinguish debt	$ 17,390	$ -
Change in accrual for purchases of property, plant and equipment	$ 3,079	$ 19,521
Investment in joint venture	$ 1,750	$ -

See accompanying notes to condensed consolidated financial statements.

NOTE 1 - BASIS OF FINANCIAL STATEMENT PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Photronics, Inc. and its subsidiaries ("Photronics" or the "Company") is one of the world's leading manufacturers of photomasks, which are high precision photographic quartz plates containing microscopic images of electronic circuits. Photomasks are a key element in the manufacture of semiconductors and flat panel displays ("FPDs"), and are used as masters to transfer circuit patterns onto semiconductor wafers and flat panel substrates during the fabrication of integrated circuits ("ICs") and a variety of FPDs and, to a lesser extent, other types of electrical and optical components. The Company currently operates principally from nine manufacturing facilities, two of which are located in Europe, two in Taiwan, one in Korea, one in Singapore, and three in the United States.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for annual financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the interim period are not necessarily indicative of the results that may be expected for the fiscal year ending October 30, 2011. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended October 31, 2010.

Revenue Recognition

The Company recognizes revenue when there is persuasive evidence that an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collectability is reasonably assured. Delivery is determined by the shipping terms of the individual sales transactions. For sales with FOB destination shipping terms, delivery occurs when the Company’s product reaches its destination and is received by the customer. For sales with FOB shipping point terms, delivery occurs when the Company’s product is received by the common carrier. The Company uses judgment when estimating the effect on revenue of discounts and product warranty obligations, both of which are accrued when the related revenue is recognized.

Warranties and Other Post Shipment Obligations – For a 30-day period, the Company warrants that items sold will conform to customer specifications. However, the Company’s liability is limited to the repair or replacement of the photomasks as its sole option. The Company inspects photomasks for conformity to customer specifications prior to shipment. Accordingly, customer returns of items under warranty have historically been insignificant. However, the Company records a liability for the insignificant amount of estimated warranty returns based on historical experience. The Company’s specific return policies include accepting returns of products with defects, or products that have not been produced to precise customer specifications. At the time of revenue recognition, a liability is established for these items.

Sales Taxes – The Company presents its revenues in the condensed consolidated statements of operations, net of sales taxes, if any (excluded from revenues).

See the Company’s Form 10-K for the year ended October 31, 2010 for additional significant accounting policies of the Company.

NOTE 2 - CHANGES IN EQUITY AND COMPREHENSIVE INCOME (LOSS)

The following tables set forth the Company's consolidated changes in equity and comprehensive income (net of tax) for the three and six months ended May 1, 2011 and May 2, 2010:

	Three Months Ended May 1, 2011							
	Photronics, Inc. Shareholders							
	Common Stock							
	Shares	Amount	Add'l Paid-in Capital	Retained Earnings (Accum-ulated Deficit)	Accum-ulated Other Compre-hensive Income	Total Photronics, Inc.	Non-controlling Interests	Total Equity
Balance at January 31, 2011	53,865	$ 539	$ 437,360	$ 9,487	$ 12,906	$ 460,292	$ 58,170	$ 518,462
Comprehensive income:								
Net income (loss)	-	-	-	(16,438)	-	(16,438)	1,405	(15,033)
Amortization of cash flow hedges	-	-	-	-	32	32	-	32
Foreign currency translation adjustments	-	-	-	-	11,065	11,065	355	11,420
Total comprehensive income (loss)						(5,341)	1,760	(3,581)
Common stock issued to extinguish debt	4,492	45	39,123	-	-	39,168	-	39,168
Sale of common stock through employee stock option and purchase plans	45	-	88	-	-	88	-	88
Restricted stock awards vesting and expense	15	-	234	-	-	234	-	234
Share-based compensation expense	-	-	375	-	-	375	-	375
Common stock warrants exercised	122	1	1,157	-	-	1,158	-	1,158
Repurchase of common stock by subsidiary	-	-	(328)	-	(12)	(340)	(2,949)	(3,289)
Balance at May 1, 2011	58,539	$ 585	$ 478,009	$ (6,951)	$ 23,991	$ 495,634	$ 56,981	$ 552,615

	Three Months Ended May 2, 2010							
	Photronics, Inc. Shareholders							
	Common Stock							
	Shares	Amount	Add'l Paid-in Capital	Accum-ulated Deficit	Accum-ulated Other Compre-hensive Income (Loss)	Total Photronics, Inc.	Non-controlling Interests	Total Equity
Balance at February 1, 2010	53,281	$ 533	$ 433,632	$ (26,333)	$ (444)	$ 407,388	$ 51,051	$ 458,439
Comprehensive income:								
Net income	-	-	-	7,873	-	7,873	732	8,605
Unrealized holding gains	-	-	-	-	76	76	56	132
Amortization of cash flow hedges	-	-	-	-	33	33	-	33
Foreign currency translation adjustments	-	-	-	-	6,553	6,553	1,061	7,614
Total comprehensive income	-	-	-	-	-	14,535	1,849	16,384
Sale of common stock through employee stock option and purchase plans	53	1	74	-	-	75	-	75
Share-based compensation expense	1	-	454	-	-	454	-	454
Common stock warrants exercised	162	1	816	-	-	817	-	817
Balance at May 2, 2010	53,497	$ 535	$ 434,976	$ (18,460)	$ 6,218	$ 423,269	$ 52,900	$ 476,169

	Six Months Ended May 1, 2011							
	Photronics, Inc. Shareholders							
	Common Stock		Add'l Paid-in Capital	Accum- ulated Deficit	Accum- ulated Other Compre- hensive Income	Total Photronics, Inc.	Non- controlling Interests	Total Equity
	Shares	Amount						
Balance at November 1, 2010	53,779	$ 538	$ 436,825	$ (2,624)	$ 7,062	$ 441,801	$ 54,142	$ 495,943
Comprehensive income:								
Net income (loss)	-	-	-	(4,327)	-	(4,327)	2,878	(1,449)
Amortization of cash flow hedges	-	-	-	-	64	64	-	64
Foreign currency translation adjustments	-	-	-	-	16,877	16,877	2,910	19,787
Total comprehensive income						12,614	5,788	18,402
Common stock issued to extinguish debt	4,492	45	39,123	-	-	39,168	-	39,168
Sale of common stock through employee stock option and purchase plans	110	1	146	-	-	147	-	147
Restricted stock awards vesting and expense	36	-	422	-	-	422	-	422
Share-based compensation expense	-	-	664	-	-	664	-	664
Common stock warrants exercised	122	1	1,157	-	-	1,158	-	1,158
Repurchase of common stock by subsidiary	-	-	(328)	-	(12)	(340)	(2,949)	(3,289)
Balance at May 1, 2011	58,539	$ 585	$ 478,009	$ (6,951)	$ 23,991	$ 495,634	$ 56,981	$ 552,615

	Six Months Ended May 2, 2010							
	Photronics, Inc. Shareholders							
	Common Stock		Add'l Paid-in Capital	Accum- ulated Deficit	Accum- ulated Other Compre- hensive Income (Loss)	Total Photronics, Inc.	Non- controlling Interests	Total Equity
	Shares	Amount						
Balance at November 2, 2009	53,011	$ 530	$ 432,160	$ (26,546)	$ (6,389)	$ 399,755	$ 49,941	$ 449,696
Comprehensive income:								
Net income	-	-	-	8,086	-	8,086	927	9,013
Unrealized holding gains	-	-	-	-	76	76	56	132
Amortization of cash flow hedges	-	-	-	-	65	65	-	65
Foreign currency translation adjustments	-	-	-	-	12,466	12,466	1,976	14,442
Total comprehensive income						20,693	2,959	23,652
Sale of common stock through employee stock option and purchase plans	93	1	104	-	-	105	-	105
Share-based compensation expense	43	-	1,031	-	-	1,031	-	1,031
Noncontrolling interests’ subsidiary dividend	350	4	1,681	-	-	1,685	-	1,685
Balance at May 2, 2010	53,497	$ 535	$ 434,976	$ (18,460)	$ 6,218	$ 423,269	$ 52,900	$ 476,169

NOTE 3 - JOINT VENTURE

On May 5, 2006, Photronics and Micron Technology, Inc. ("Micron") entered into the MP Mask joint venture, which develops and produces photomasks for leading-edge and advanced next generation semiconductors. As part of the formation of the joint venture, Micron contributed its existing photomask technology center located at its Boise, Idaho, headquarters to MP Mask and Photronics invested $135 million in exchange for a 49.99% interest in MP Mask (to which $64.2 million of the original investment was allocated), a license for photomask technology of Micron, and certain supply agreements.

This joint venture is a variable interest entity ("VIE") (as that term is defined in the Accounting Standards Codification ("ASC")) primarily because all costs of the joint venture will be passed on to the Company and Micron through purchase agreements they have entered into with the joint venture. In accordance with accounting guidance issued by the Financial Accounting Standards Board ("FASB") in June 2009, on a quarterly basis the Company reassesses whether its interest in MP Mask gives it a controlling financial interest in this VIE. The purpose of this quarterly reassessment is to identify the primary beneficiary (which is defined in the ASC as the entity that consolidates a VIE) of the VIE. As a result of the reassessment in the current quarter, the Company determined that Micron is still the primary beneficiary of the VIE, by virtue of its greater voting power, if necessary, within MP Mask's Board of Managers, thereby giving it the power to direct the activities of MP Mask that most significantly impact its economic performance, including its decision making authority in the ordinary course of business and its purchasing the majority of products produced by the VIE.

The Company has utilized MP Mask for both high-end IC photomask production and research and development purposes. MP Mask charges its variable interest holders based on their actual usage of its facility. MP Mask separately charges for any research and development activities it engages in at the requests of its owners. The Company recorded cost of sales of $4.8 million and $8.3 million and research and development expenses of $0.2 million and $0.5 million during the three and six month periods ended May 1, 2011. Cost of sales of $1.5 million and $2.7 million and research and development expenses of $0.2 million and $0.5 million were recorded during the three and six month periods ended May 2, 2010.

MP Mask is governed by a Board of Managers, appointed by Micron and the Company. Since MP Mask's inception, Micron, as a result of its majority ownership, has held majority voting power on the Board of Managers. The voting power held by each party is subject to change as ownership interests change. Under the MP mask joint venture operating agreement, the Company may be required to make additional capital contributions to the joint venture up to the maximum amount defined in the operating agreement. However, should the Board of Managers determine that further additional funding is required, the joint venture shall pursue its own financing. If the joint venture is unable to obtain its own financing, it may request additional capital contributions from the Company. Should the Company choose not to make a requested contribution to the joint venture, its ownership percentage may be reduced. During the three and six month periods ended May 1, 2011, the Company increased its investment in MP Mask by $6.2 million and $10.2 million, respectively, primarily related to capital calls requested by the joint venture. The Company did not make any contributions to MP Mask during its first half of fiscal 2010, and did not receive any distributions from MP Mask during its first half of fiscal 2011 or 2010.

The Company's investment in the VIE, which represents its maximum exposure to loss, was $72.0 million at May 1, 2011 and $61.1 million at October 31, 2010. These amounts are reported in the Company's condensed consolidated balance sheets as "Investment in joint venture". The Company recorded income from its investment in the VIE of $0.6 million in the six month period ended May 1, 2011, and recorded no income from its investment in the three month period ended May 1, 2011, or in the three and six month periods ended May 2, 2010. Income from the VIE is included in "Investment and other income, net" in the condensed consolidated statements of operations.

NOTE 4 - LONG-TERM BORROWINGS

Long-term borrowings consist of the following:

	May 1, 2011	October 31, 2010
3.25% convertible senior notes due on April 1, 2016	$ 115,000	$ -
5.5% convertible senior notes due on October 1, 2014	27,054	57,500
3.09% capital lease obligation payable through March 2016	20,867	-
4.75% financing loan with customer	2,464	2,954
8.0% capital lease obligation	-	16,220
5.6% capital lease obligation	-	8,645
Borrowings under revolving credit facility, which bear interest at a variable rate, as defined (3.8% at October 31, 2010)	-	5,000
	165,385	90,319
Less current portion	5,827	11,467
	$ 159,558	$ 78,852

On March 28, 2011, the Company issued through a private offering pursuant to Rule 144A under the Securities Act of 1933, as amended, $115 million aggregate principal amount of 3.25% convertible senior notes. The notes mature on April 1, 2016, and note holders may convert each $1,000 principal amount of notes to 96.3879 shares of common stock (equivalent to an initial conversion price of $10.37 per share of common stock) at any time prior to the close of business on the second scheduled trading day immediately preceding April 1, 2016. The conversion rate is subject to adjustment upon the occurrence of certain events, which are described in the indenture dated March 28, 2011. The Company is not required to redeem the notes prior to their maturity dates. Interest on the notes accrues in arrears, and is to be paid semiannually through the notes' maturity date, with payments commencing on October 1, 2011. The net proceeds of the notes were approximately $110.5 million, which were used, in part, to repurchase $30.4 million of the Company's 5.5% convertible senior notes which were to mature on October 1, 2014, and to repay, in full, its then outstanding obligations under capital leases of $19.8 million. The Company intends to use the remainder of the net proceeds to acquire, from time to time, additional amounts of its remaining outstanding 5.5% convertible senior notes and for general corporate purposes, which may include, among other things, working capital and capital expenditures.

On March 18, 2011, the Company amended its revolving credit facility ("the credit facility") which included, among other things: i) a reduction of the aggregate commitments of the lenders from $65 million to $30 million; ii) a reduction of the applicable interest rates and modifications of the leverage ratios relating thereto; iii) an extension of the maturity date to April 30, 2015; iv) an increase of certain financed capital assets up to $75 million outstanding at any one time; v) an allowance to issue the 3.25% convertible senior notes; vi) an increase in the investments "basket" from $15 million to $25 million per year; vii) an allowance to repurchase the 5.5% convertible senior notes and other indebtedness; and viii) removal of the limitation on maximum last twelve months capital expenditures. The credit facility bears interest (2.75% at May 1, 2011), based on the Company's total leverage ratio, at LIBOR plus a spread, as defined in the credit facility.

The credit facility is secured by substantially all of the Company’s assets located in the United States, as well as common stock the Company owns in certain of its foreign subsidiaries, and is subject to the following financial covenants: minimum fixed charge ratio, total leverage ratio and minimum unrestricted cash balance. The Company, in connection with a February 2010 amendment to the credit facility, wrote off $1.0 million of deferred financing fees in its second quarter of fiscal 2010.

In January 2011 a $10 million irrevocable stand-by letter of credit for the purchase of manufacturing equipment was issued under the credit facility. As of May 1, 2011, the Company had no outstanding borrowings under the credit facility and $20 million was available for borrowing.

In September 2009 the Company issued, through a public offering, $57.5 million aggregate principal amount of 5.5% convertible senior notes, which were to mature on October 1, 2014. Under the terms of the offering, the note holders could convert each $1,000 principal amount of notes to 196.7052 shares of common stock (equivalent to an initial conversion price of $5.08 per share of common stock) on, or before, September 30, 2014. The conversion rate is subject to adjustment upon the occurrence of certain events which are described in the indenture dated September 16, 2009. The Company is not required to redeem the notes prior to their maturity. The net proceeds of this offering were approximately $54.9 million, which were used to reduce amounts outstanding under the Company’s credit facility.

On March 29, 2011, the Company repurchased approximately $30.4 million of its 5.5% convertible senior notes in exchange for approximately 4.5 million shares of its common stock with an approximate fair value of $39.2 million and cash of approximately $19.7 million (the note holders received 147.529 shares and cash of $647 for each $1,000 note). The Company, in connection with this repurchase, recorded an extinguishment loss of $30.1 million, which includes the write off of deferred financing fees of $1.7 million. The loss is included in other income (expense) in the Company's condensed consolidated statements of operations.

In the first quarter of 2008 a capital lease agreement commenced for the U.S. nanoFab facility. Quarterly lease payments, which bore interest at 8%, were $3.8 million through January 2013. This lease was cancelled in the third fiscal quarter of 2009, at which time the Company and Micron (the lessor) entered into a new lease agreement for the facility. Under the provisions of the new lease agreement, quarterly lease payments were reduced from $3.8 million to $2.0 million, the term of the lease was extended from December 31, 2012 to December 31, 2014, and ownership of the property will not transfer to the Company at the end of the lease term. The interest rate of the new lease agreement remained at 8%. As a result of the new lease agreement, the Company reduced its lease obligation and the carrying value of its assets under capital leases by approximately $28 million. The lease obligation was paid in full with a portion of the net proceeds of the March 28, 2011 issuance of its 3.25% convertible senior notes. The lease will be accounted for as an operating lease during the additional two years of the new lease term.

On April 29, 2011, the Company entered into a 5-year, $21.2 million capital lease for manufacturing equipment. Payments under the lease, which bears interest at 3.09%, are $0.4 million per month through March 2016. The lease agreement provides that the Company must maintain the equipment in good working order, and includes a cross default with cross acceleration provision related to certain non-financial covenants incorporated in the Company's credit facility agreement. As of May 1, 2011, the total amount payable through the end of the lease term was $22.5 million, of which $20.9 million represented principal and $1.6 million represented interest.

In October 2007, the Company entered into a capital lease agreement in the amount of $19.9 million associated with certain equipment. Payments under the lease were $0.4 million per month over a 5-year term at a 5.6% interest rate. On April 6, 2011, the Company used a portion of the net proceeds of the March 28, 2011 issuance of its 3.25% convertible senior notes, to repay in full the outstanding balance of this lease of $7.0 million. In connection with this repayment, the Company paid a $0.2 million prepayment penalty which was recorded as a debt extinguishment loss, included in other income (expense) in the Company's condensed statement of operations.

In January 2010 the Company borrowed $3.7 million from a customer to purchase manufacturing equipment. This loan bears interest at 4.75% and is primarily being repaid with product supplied to the customer. Product valued at $0.3 million and $0.6 million was shipped to the customer and applied against the loan during the three and six month periods ended May 1, 2011, and product valued at $0.2 million was shipped and applied against the loan during the comparable prior year periods. During the three month period ending July 31, 2011, the Company will make a cash payment against this loan of approximately $0.9 million. The Company estimates that the loan will be fully repaid in fiscal 2013.

NOTE 5 - COMMON STOCK WARRANTS

On September 10, 2009, the Company entered into two warrant agreements with Intel Capital Corporation to purchase a total of 750,000 shares of the Company's common stock. Under one warrant agreement 500,000 shares of the Company's common stock can be purchased at an exercise price of $4.15 per share and under the second warrant agreement 250,000 shares of the Company's common stock can be purchased at an exercise price of $5.08 per share. The warrant agreements expire on September 10, 2014. Also on September 10, 2009 the Company and Intel Corporation entered into an agreement to share technical and operations information regarding the development of the Company's products, the capabilities of the Company's photomask manufacturing lines and the alignment of photomask toolsets. The warrants were recorded at their fair value on their date of grant, which was determined using the Black-Scholes option pricing model. As of May 1, 2011, none of the warrants had been exercised.

In conjunction with the May 2009 amendment to its credit facility, the Company also entered into a warrant agreement with its lenders. See Note 6 for further discussion of these warrants.

NOTE 6 - DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company utilizes derivative instruments to reduce its exposure to the effects of the variability of interest rates and foreign currencies on its financial performance when it believes such action is warranted. Historically, the Company has been a party to derivative instruments to hedge either the variability of cash flows of a prospective transaction or the fair value of a recorded asset or liability. In certain instances, the Company has designated these transactions as hedging instruments. However, whether or not a derivative was designated as being a hedging instrument, the Company's purpose for engaging in the derivative has always been for risk management and not speculative purposes. The Company historically has not been a party to a significant number of derivative instruments and does not expect its derivative activity to significantly increase in the foreseeable future.

In addition to the utilization of derivative instruments discussed above, the Company attempts to minimize its risk of foreign currency exchange rate variability by, whenever possible, procuring production materials within the same country that it will utilize the materials in manufacturing, and by selling to customers from manufacturing sites within the country in which the customers are located.

On May 15, 2009, in connection with an amendment to its credit facility, the Company issued 2.1 million warrants, each exercisable for one share of the Company's common stock at an exercise price of $0.01 per share. Forty percent of the warrants were exercisable upon issuance, and the remaining balance was to become exercisable in twenty percent increments at various points in time after October 31, 2009. As a result of certain net cash settleable put provisions within the warrant agreement, the warrants were recorded as a liability in the Company's consolidated balance sheet. As of the issuance date and for future periods that such warrants remain outstanding, the Company has, and will continue to, adjust the liability based upon the current fair value of the warrants, with any changes in their fair value being recognized in earnings. Due to the warrants' exercise price of $0.01 per share, their fair value will approximate the market price of the Company's common stock. Approximately 1.2 million of these warrants were cancelled as a result of the Company's early repayment of certain amounts under its credit facility during the year ended November 1, 2009, and the associated liability was reduced accordingly.

A portion of an existing loss on a cash flow hedge in the amount of $0.1 million is expected to be reclassified to earnings over the next twelve months.

The table below presents the effect of derivative instruments on the Company's condensed consolidated balance sheets at May 1, 2011 and October 31, 2010.

Derivatives Not Designated as Hedging Instruments Under ASC 815	Balance Sheet Location	Fair Value at May 1, 2011	Fair Value at October 31, 2010
Warrants on common stock	Other liabilities	$ 1,544	$ 1,881

The table below presents the effect of derivative instruments on the Company's condensed consolidated statements of operations for the three and six month periods ended May 1, 2011 and May 2, 2010.

Derivatives Not Designated as Hedging Instruments Under ASC 815	Location of Loss Related to Derivative Instruments	Amount of Loss Recognized Related to Derivative Instruments			
		Three Months Ended		Six Months Ended	
		May 1, 2011	May 2, 2010	May 1, 2011	May 2, 2010
Warrants on common stock	Investment and other income (expense), net	$ (745)	$ (860)	$ (820)	$ (751)

NOTE 7 - SHARE-BASED COMPENSATION

In March 2007 shareholders approved a new share-based compensation plan ("Plan"), under which options, restricted stock, restricted stock units, stock appreciation rights, performance stock, performance units, and other awards based on, or related to, shares of the Company's common stock may be granted from shares authorized but unissued, or shares previously issued and reacquired by the Company. A maximum of six million shares of common stock may be issued under the Plan. Awards may be granted to officers, employees, directors, consultants, advisors, and independent contractors of the Company or its subsidiaries. In the event of a change in control (as defined in the Plan), the vesting of awards may be accelerated. The Plan, aspects of which are more fully described below, prohibits further awards from being issued under prior plans. The Company incurred total share-based compensation costs for the three and six month periods ended May 1, 2011, of $0.6 million and $1.1 million, respectively, and $0.3 million and $0.8 million for the three and six month periods ended May 2, 2010, respectively. The Company received cash from option exercises of $0.1 million and $0.2 million for the three and six month periods ended May 1, 2011, respectively, and $0.1 million for both the three and six month periods ended May 2, 2010. No share-based compensation cost was capitalized as part of inventory and no related income tax benefits were recorded during the periods presented.

Stock Options

Option awards generally vest in one to four years, and have a ten-year contractual term. All incentive and non-qualified stock option grants have an exercise price equal to the market value of the underlying common stock on the date of grant. The grant date fair values of options are based on closing prices on the dates of grant using the Black-Scholes option pricing model. Expected volatility is based on the historical volatility of the Company's stock. The Company uses historical option exercise behavior and employee termination data to estimate expected term, which represents the period of time that the options granted are expected to remain outstanding. The risk-free rate of return for the estimated term of the option is based on the U.S. Treasury yield curve in effect at the date of grant. The weighted-average inputs and risk-free rate of return ranges used to calculate the grant date fair value of options issued during the three and six month periods ended May 1, 2011 and May 2, 2010, are presented in the following table.

	Three Months Ended		Six Months Ended	
	May 1, 2011	May 2, 2010	May 1, 2011	May 2, 2010
Expected volatility	98.8%	N/A	98.7%	89.3%
Risk free rate of return	1.9%	N/A	1.0 – 1.9%	2.2 – 2.4%
Dividend yield	N/A	N/A	N/A	N/A
Expected term	4.2 years	N/A	4.2 years	4.5 years

Information on outstanding and exercisable option awards as of May 1, 2011, is presented below:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at May 1, 2011	4,262,841	$ 8.94	6.7 years	$ 14,325
Exercisable at May 1, 2011	2,243,185	$ 13.41	4.9 years	$ 4,703

There were 369,250 share options granted during the three month period ended May 1, 2011, with a weighted-average grant date fair value of $4.81 per share and there were no share options granted during the three month period ended May 2, 2010. There were 620,750 share options granted during the six month period ended May 1, 2011, with a weighted-average grant date fair value of $4.75 per share and 846,400 share options granted during the six month period ended May 2, 2010, with a weighted-average grant date fair value of $2.97 per share. As of May 1, 2011, the total unrecognized compensation cost related to non-vested option awards was approximately $3.9 million. That cost is expected to be recognized over a weighted-average amortization period of 3.1 years.

Restricted Stock

The Company periodically grants restricted stock awards. The restrictions on these awards lapse over a service period that has ranged from less-than-one to eight years. No restricted stock awards were granted during the three month period ended May 1, 2011, and 176,250 restricted stock awards were granted during the six month period ended May 1, 2011, with a weighted-average grant date fair value of $6.71 per share. No restricted stock awards were granted during the six month periods ended May 2, 2010. As of May 1, 2011, the total compensation cost not yet recognized related to unvested restricted stock awards was approximately $1.6 million. That cost is expected to be recognized over a weighted-average amortization period of 2.7 years. As of May 1, 2011, there were 236,389 shares of restricted stock outstanding.

NOTE 8 - CONSOLIDATION, RESTRUCTURING AND RELATED CREDITS

In the third quarter of fiscal 2009, the Company ceased the manufacture of photomasks at its Shanghai, China, facility and recorded an initial restructuring charge of $10.1 million, which included $7.7 million to write down the carrying value of the Company's Shanghai manufacturing facility to its estimated fair value at that time. In the second quarter of fiscal 2010, the Company sold its facility in Shanghai, China, for net proceeds of $12.9 million ($4.2 million of which was received as a deposit in the first quarter of fiscal 2010), which resulted in a gain of $5.4 million. The gain was recorded as a credit to the restructuring reserve in that quarter. On a cumulative basis the Company recorded total net charges of $5.2 million, including $4.7 million of net asset write-downs, through its completion in fiscal 2010. The fair value of the assets written down was determined by management using a market approach. The following tables set forth the Company's restructuring reserve related to its Shanghai, China, facility as of May 2, 2010, and reflects the activity affecting the reserve for the three and six month periods then ended.

	Three Months Ended May 2, 2010				Six Months Ended May 2, 2010			
	February 1, 2010	Charges (credit)	Utilized	May 2, 2010	November 2, 2009	Charges (credit)	Utilized	May 2, 2010
Net gain on sales of assets	$ -	$ (5,020)	$ 5,238	$ 218	$ -	$ (5,020)	$ 5,238	$ 218
Employee terminations and other	-	(9)	9	-	134	184	(318)	-
	$ -	$ (5,029)	$ 5,247	$ 218	$ 134	$ (4,836)	$ 4,920	$ 218

NOTE 9 - INCOME TAXES

The effective tax rate differs from the U.S. statutory rate of 35% in the second quarter and the first half of fiscal year 2011 primarily due to the impact of the non-deductible debt extinguishment loss recorded in the second quarter of 2011 and a higher level of earnings taxed at lowered statutory rates in foreign jurisdictions. In the second quarter and first half of fiscal year 2010, the effective tax rate differed from the U.S. statutory rate primarily because income tax provisions incurred in jurisdictions where the Company generated income before income taxes were, due to valuation allowances, not significantly offset by income tax benefits in jurisdictions where the Company incurred losses before income taxes. Further, in Korea and in Taiwan, various investment tax credits have been earned, which reduced the Company’s effective income tax rate.

The Company accounts for uncertain tax positions by recording a liability for unrecognized tax benefits resulting from uncertain tax positions taken, or expected to be taken, in its tax returns. The Company recognizes any interest and penalties related to uncertain tax positions in the income tax provision in its condensed consolidated statements of operations.

Unrecognized tax benefits associated with uncertain tax positions of $2.0 million, including $0.3 million for interest and penalties, were included in other liabilities in the condensed consolidated balance sheets at May 1, 2011 and October 31, 2010. If recognized, the benefits would favorably affect the Company's effective income tax rate in future periods. As of May 1, 2011, the Company believes it is not reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease in the next twelve months. Currently, the statutes of limitations remain open subsequent to, and including, 2006 in the U.S., 2008 in the U.K., 2008 in Germany, 2005 in Korea and 2009 in Taiwan.

NOTE 10 - EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share is presented below.

	Three Months Ended		Six Months Ended	
	May 1, 2011	May 2, 2010	May 1, 2011	May 2, 2010
Net income (loss) attributable to Photronics, Inc.	$ (16,438)	$ 7,873	$ (4,327)	$ 8,086
Effect of dilutive securities:				
Interest expense on convertible notes, net of related tax effects	-	1,016	-	-
Earnings (loss) for diluted earnings (loss) per share	$ (16,438)	$ 8,889	$ (4,327)	$ 8,086
Weighted-average common shares computations:				
Weighted-average common shares used for basic earnings (loss) per share	55,685	53,405	54,751	53,253
Effect of dilutive securities:				
Convertible notes	-	11,311	-	-
Share-based payment awards	-	989	-	990
Common stock warrants	-	75	-	48
Potentially dilutive common shares	-	12,375	-	1,038
Weighted-average common shares used for diluted earnings (loss) per share	55,685	65,780	54,751	54,291
Basic earnings (loss) per share	$ (0.30)	$ 0.15	$ (0.08)	$ 0.15
Diluted earnings (loss) per share	$ (0.30)	$ 0.14	$ (0.08)	$ 0.15

In periods in which the Company incurred a net loss, the assumed exercises and vestings of certain outstanding share-based awards had an antidilutive effect. The assumed exercise of certain outstanding common stock warrants and the conversion of convertible senior notes to common stock would also have been antidilutive in the periods that the Company reported a net loss. The table below shows the amounts of incremental weighted-average shares of these share-based payment awards, common stock warrants, and convertible debt that were not considered potentially dilutive common shares in the fiscal periods presented.

	Three Months Ended		Six Months Ended	
	May 1, 2011	**May 2, 2010**	**May 1, 2011**	**May 2, 2010**
Convertible notes	13,336	-	14,455	-
Share-based payment awards	1,374	-	1,221	-
Common stock warrants	554	-	535	-
Total potentially dilutive shares excluded	15,264	-	16,211	-

The table below shows the outstanding weighted-average share-based payment awards and common stock warrants that were excluded from the calculation of diluted earnings per share because their exercise price exceeded the average market value of the common shares for the period or, under application of the treasury stock method, they were otherwise determined to be anti-dilutive. The table also shows convertible notes that, if converted, would have been anti-dilutive.

	Three Months Ended		Six Months Ended	
	May 1, 2011	**May 2, 2010**	**May 1, 2011**	**May 2, 2010**
Convertible notes	-	-	-	11,311
Share-based payment awards	2,215	2,844	2,044	2,652
Common stock warrants	-	747	-	854
Total potentially dilutive shares excluded	2,215	3,591	2,044	14,817

NOTE 11 - GEOGRAPHIC INFORMATION

The Company operates as a single operating segment as a manufacturer of photomasks, which are high precision quartz plates containing microscopic images of electronic circuits for use in the fabrication of ICs and FPDs. Geographic net sales are based primarily on where the Company's manufacturing facility is located. The Company's net sales by geographic area and for ICs and FPDs for the three and six month periods ended May 1, 2011 and May 2, 2010 and its long-lived assets by geographic area as of May 1, 2011, and October 31, 2010, are presented below.

	Three Months Ended		Six Months Ended	
	May 1, 2011	May 2, 2010	May 1, 2011	May 2, 2010
Net sales				
Asia	$ 79,482	$ 61,821	$ 158,173	$ 122,628
Europe	13,046	10,665	23,810	20,182
North America	40,575	32,584	71,943	60,457
	$ 133,103	$ 105,070	$ 253,926	$ 203,267
IC	$ 100,999	$ 83,996	$ 189,800	$ 158,489
FPD	32,104	21,074	64,126	44,778
	$ 133,103	$ 105,070	$ 253,926	$ 203,267

	As of	
	May 1, 2011	October 31, 2010
Long-lived assets		
Asia	$ 216,122	$ 221,283
Europe	12,212	14,182
North America	175,079	134,349
	$ 403,413	$ 369,814

NOTE 12 - FAIR VALUE MEASUREMENTS

The accounting framework for determining fair value includes a hierarchy for ranking the quality and reliability of the information used to measure fair value, which enables the reader of the financial statements to assess the inputs used to develop those measurements. The fair value hierarchy consists of three tiers as follows: Level 1, defined as quoted market prices in active markets for identical securities; Level 2, defined as inputs other than Level 1 that are observable, either directly or indirectly; and Level 3, defined as unobservable inputs that are not corroborated by market data.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The tables below present assets and liabilities as of May 1, 2011 and October 31, 2010, that are measured at fair value on a recurring basis.

	May 1, 2011			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Common stock warrants	$ -	$ (1,544)	$ -	$ (1,544)
Total liabilities	$ -	$ (1,544)	$ -	$ (1,544)

	October 31, 2010			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Common stock warrants	$ -	$ (1,881)	$ -	$ (1,881)
Total liabilities	$ -	$ (1,881)	$ -	$ (1,881)

The fair value of the common stock warrants liability was determined using the Black-Scholes option pricing model. A significant observable input into the model included the market price of the Company's common stock at the measurement date. Gains or losses related to fair value adjustments to the common stock warrants liability are included in other income (expense), net.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

The Company did not have any nonfinancial assets or liabilities measured at fair value on a nonrecurring basis as of May 1, 2011 and October 31, 2010.

Fair Value of Other Financial Instruments

The fair values of the Company's cash and cash equivalents, accounts receivable, accounts payable, and certain other current assets and current liabilities approximate their carrying value due to their short-term maturities. The fair value of the Company's variable rate long-term debt approximates its carrying value due to the variable nature of the underlying interest rate. The estimated fair values of the Company's 3.25% and 5.5% convertible senior notes were $131.0 million and $51.6 million, respectively, as of May 1, 2011, and were $0 and $83.2 million, respectively, as of October 31, 2010.

NOTE 13 - SUBSIDIARY SHARE REPURCHASE

During the three month period ended May 1, 2011, the board of directors of Photronics Semiconductor Mask Corporation (PSMC), a subsidiary of the Company based in Taiwan, authorized PSMC to repurchase for retirement up to 5% of its outstanding common stock on the open market. The repurchase program, which expired in April 2011, resulted in approximately 7.7 million shares (or approximately 2.7 % of its outstanding shares) being repurchased at a total cost of $3.3 million. PSMC’s repurchase of these shares increased the Company’s ownership of PSMC from 57.53% at October 31, 2010, to 59.14% at May 1, 2011. The tables below present the effect of the change in Photronics, Inc.'s ownership interest in PSMC on the Company's equity for the three and six month periods ended May 1, 2011 and May 2, 2010.

	Three Months Ended		Six Months Ended	
	May 1, 2011	May 2, 2010	May 1, 2011	May 2, 2010
Net (loss) income attributable to Photronics, Inc.	$ (16,438)	$ 7,873	$ (4,327)	$ 8,086
Decrease in Photronics, Inc.'s additional paid-in capital for PSMC's repurchase of 7.7 million shares of its common stock	(328)	-	(328)	-
Change from net income attributable to Photronics, Inc. and transfer to noncontrolling interest	$ (16,766)	$ 7,873	$ (4,655)	$ 8,086

NOTE 14 - COMMITMENTS AND CONTINGENCIES

As of May 1, 2011, the Company had commitments outstanding for capital expenditures of approximately $6 million.

The Company is subject to various claims that arise in the ordinary course of business. The Company believes such claims, individually or in the aggregate, will not have a material adverse effect on its business, financial condition or results of operations.

NOTE 15 - RECENT ACCOUNTING GUIDANCE

In May 2011 the FASB issued Accounting Standards Update (ASU) No. 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." which amended its guidance on fair value measurements with the purpose of achieving commonality of its fair value measurement and disclosure requirements with those of International Financial Reporting Standards (IFRSs). ASU No. 2011-04 clarifies the FASBs intentions regarding the application of existing fair value measurement and disclosure requirements, changes certain principles for measuring fair value and changes the disclosure requirements for fair value measurements. ASU No. 2011-04 is to be applied prospectively and is effective during interim and annual periods beginning after December 15, 2011. The Company is currently evaluating the effect, if any, ASU No. 2011-04 will have on its consolidated financial statements.

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

Overview

Management's discussion and analysis ("MD&A") of the Company's financial condition, results of operations and outlook should be read in conjunction with its condensed consolidated financial statements and related notes. Various segments of this MD&A contain forward-looking statements, all of which are presented based on current expectations and may be adversely affected by uncertainties and risk factors (presented throughout this filing and in the Company's Annual Report on Form 10-K for the fiscal 2010 year), that may cause actual results to materially differ from these expectations.

The Company sells substantially all of its photomasks to semiconductor designers and manufacturers, and manufacturers of FPDs. Photomask technology is also being applied to the fabrication of other higher performance electronic products such as photonics, micro-electronic mechanical systems and certain nanotechnology applications. Thus, the Company's selling cycle is tightly interwoven with the development and release of new semiconductor designs and flat panel applications, particularly as it relates to the semiconductor industry's migration to more advanced design methodologies and fabrication processes. The Company believes that the demand for photomasks primarily depends on design activity rather than sales volumes from products produced using photomask technologies. Consequently, an increase in semiconductor or FPD sales does not necessarily result in a corresponding increase in photomask sales. However, the reduced use of customized ICs, reductions in design complexity, other changes in the technology or methods of manufacturing or designing semiconductors, or a slowdown in the introduction of new semiconductor or FPD designs could reduce demand for photomasks even if demand for semiconductors and FPDs increases. Advances in semiconductor and photomask design and semiconductor production methods could reduce the demand for photomasks. Historically, the semiconductor industry has been volatile, with sharp periodic downturns and slowdowns. These downturns have been characterized by, among other things, diminished product demand, excess production capacity and accelerated erosion of selling prices.

The global semiconductor industry is driven by end markets which have been closely tied to consumer driven applications of high performance semiconductor devices including, but not limited to, communications and mobile computing solutions. The Company is typically required to fulfill its customer orders within a short period of time, sometimes within 24 hours. This results in the Company having a minimal level of back-log orders, typically one to two weeks for IC photomasks and two to three weeks for FPD photomasks. The Company cannot predict the timing of the industry's transition to volume production of next generation technology nodes or the timing of up and down cycles with precise accuracy, but believes that such transitions and cycles will continue into the future, beneficially and adversely affecting its business, financial condition and operating results in the near term. The Company's ability to remain successful in these environments is dependent upon achieving its goals of being a service and technology leader, an efficient solutions supplier, and a company able to continually reinvest in its global infrastructure.

Although the Company issued $115 million in convertible senior notes on March 28, 2011, the effects of the weakened global economy and the tightened credit market may make it increasingly difficult for the Company to obtain additional external sources, if necessary, of financing to fund its operations.

The Company's ability to comply with the financial and other covenants in its debt agreements may be affected by economic or business conditions, or other events. Existing covenant restrictions limit the Company's ability to obtain additional debt financing and, should the Company be unable to meet one or more of these covenants, its lenders may require the Company to repay its outstanding balances prior to the expiration date of the agreements. The Company cannot assure that additional sources of financing would be available to the Company to pay off its long-term borrowings to avoid default. Should the Company default on any of its long-term borrowings, a cross default would occur on certain of its other long-term borrowings, unless amended or waived. As of May 1, 2011, the Company was in compliance with its debt covenants.

Material Changes in Results of Operations
Three and Six Months ended May 1, 2011 and May 2, 2010

The following table represents selected operating information expressed as a percentage of net sales.

	Three Months Ended		Six Months Ended	
	May 1, 2011	May 2, 2010	May 1, 2011	May 2, 2010
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	(72.6)	(79.0)	(73.6)	(80.2)
Gross margin	27.4	21.0	26.4	19.8
Selling, general and administrative expenses	(8.6)	(10.3)	(8.7)	(10.3)
Research and development expenses	(3.0)	(3.4)	(3.0)	(3.7)
Consolidation, restructuring and related credits	-	4.7	-	2.3
Operating income	15.8	12.0	14.7	8.1
Debt extinguishment loss	(22.8)	-	(11.9)	-
Other expense, net	(1.9)	(2.0)	(0.7)	(2.3)
Net income (loss) before income taxes	(8.9)	10.0	2.1	5.8
Income tax provision	(2.4)	(1.8)	(2.7)	(1.4)
Net income (loss)	(11.3)	8.2	(0.6)	4.4
Net income attributable to noncontrolling interests	(1.0)	(0.7)	(1.1)	(0.4)
Net income (loss) attributable to Photronics, Inc.	(12.3)%	7.5%	(1.7)%	4.0%

All of the following tabular comparisons, unless otherwise indicated, are for the three months ended May 1, 2011 (Q2-11) and May 2, 2010 (Q2-10) and for the six months ended May 1, 2011 (YTD-11) and May 2, 2010 (YTD-10) in millions of dollars.

Net Sales

	Three Months Ended			Six Months Ended		
	Q2-11	Q2-10	Percent Change	YTD-11	YTD-10	Percent Change
IC	$ 101.0	$ 84.0	20.2%	$ 189.8	$ 158.5	19.8%
FPD	32.1	21.1	52.3%	64.1	44.8	43.2%
Total net sales	$ 133.1	$ 105.1	26.7%	$ 253.9	$ 203.3	24.9%

Net sales for Q2-11 increased 26.7% to $133.1 million as compared to $105.1 million for Q2-10. The increase was due to increases in both IC and FPD photomask sales, primarily as a result of increased high-end unit demand, which typically have higher average selling prices (ASPs). To a lesser extent, mainstream photomasks also had increased sales, primarily for FPDs. Revenues attributable to high-end products increased by $17.4 million to $43.5 million in Q2-11 as compared to $26.1 million in Q2-10. High-end photomask applications include mask sets for 65 nanometer and below for IC products and G7 and above technologies for FPD products. By geographic area, net sales in Q2-11 as compared to Q2-10 increased by $17.7 million or 28.6% in Asia, increased by $8.0 million or 24.5% in North America, and increased by $2.4 million or 22.3% in Europe. As a percent of total sales, in Q2-11 net sales were 60% in Asia, 30% in North America, and 10% in Europe; and net sales in Q2-10 in Asia were 59%, North America 31%, and Europe 10%.

Net sales for YTD-11 increased 24.9% to $253.9 million as compared to $203.3 million for YTD-10. The increase was due to increased sales of both IC and FPD photomasks. IC photomask sales increased $31.3 million primarily as a result of increased units for both high-end and mainstream products. FPD photomask sales increased $19.3 million, primarily as a result of increased units and ASPs for both high-end and mainstream products. The Company's quarterly revenues can be affected by the seasonal purchasing of its customers. Although demand for the Company's products is typically negatively impacted during the first six months of its fiscal year by the North American, European and Asian holiday periods, such seasonality was not experienced during YTD-11.

Gross Margin

	Three Months Ended			Six Months Ended		
	Q2-11	Q2-10	Percent Change	YTD-11	YTD-10	Percent Change
Gross margin	$ 36.5	$ 22.1	65.2%	$ 67.1	$ 40.3	66.6%
Percentage of net sales	27.4%	21.0%		26.4%	19.8%	

Gross margin percentage increased to 27.4% in Q2-11 from 21.0% in Q2-10 and increased to 26.4% in YTD-11 from 19.8% in YTD-10. These increases were a result of increased sales in all geographic regions, including increased high-end sales. The Company operates in a high fixed cost environment and, to the extent that the Company's revenues and utilization increase or decrease, gross margin will generally be positively or negatively impacted.

Selling, General and Administrative Expenses

	Three Months Ended			Six Months Ended		
	Q2-11	Q2-10	Percent Change	YTD-11	YTD-10	Percent Change
Selling, general and administrative expenses	$ 11.5	$ 10.9	5.3%	$ 22.2	$ 21.0	5.4%
Percentage of net sales	8.6%	10.3%		8.7%	10.3%	

Selling, general and administrative expenses increased to $11.5 million in Q2-11, compared with $10.9 million in Q2-10, and to $22.2 million in YTD-11 as compared to $21.0 million in YTD-10. These increases were primarily due to increased employee compensation and related benefit expenses, and increased selling expenses.

Research and Development

	Three Months Ended			Six Months Ended		
	Q2-11	Q2-10	Percent Change	YTD-11	YTD-10	Percent Change
Research and development	$ 3.9	$ 3.6	9.4%	$ 7.7	$ 7.6	2.1%
Percentage of net sales	3.0%	3.4%		3.0%	3.7%	

Research and development expenses consist primarily of global development efforts related to high-end process technologies for advanced sub-wavelength reticle solutions for IC and FPD technologies. Research and development expenses increased by $0.3 million to $3.9 million in Q2-11, as compared to $3.6 million in Q2-10. On a YTD basis, research and development expenses increased $0.1 million to $7.7 million in YTD-11, as compared to $7.6 million in YTD-10. The increase in research and development expenses in Q2-11 and YTD-11 as compared to the same periods in the prior year were primarily due to increased expenditures in Asia.

Consolidation, Restructuring and Related Credits

	Three Months Ended		Six Months Ended	
	Q2-11	Q2-10	YTD-11	YTD-10
Net gain on sales of assets	$ -	$ (5.0)	$ -	$ (5.0)
Employee terminations and other	-	-	-	0.2
Total consolidation, restructuring and related credits	$ -	$ (5.0)	$ -	$ (4.8)

In the third quarter of fiscal 2009, the Company ceased the manufacture of photomasks at its Shanghai, China, facility. In connection with this restructuring, the Company has recorded total net charges of $5.2 million, including $4.7 million of net asset write-downs through its completion in fiscal 2010. The fair value of the assets written down was determined by management using a market approach. Approximately 75 employees were affected by this restructuring.

The Company recorded an initial restructuring charge of $10.1 million in the third quarter of fiscal 2009, which included $7.7 million to write down the carrying value of the Company's Shanghai manufacturing facility to its estimated fair value at that time. In the second quarter of fiscal 2010, the Company sold its facility in Shanghai, China, for net proceeds of $12.9 million, which resulted in a gain of $5.4 million. The gain was recorded as a credit to the restructuring reserve in that quarter.

Other Expense, net

	Three Months Ended		Six Months Ended	
	Q2-11	Q2-10	YTD-11	YTD-10
Debt extinguishment loss	$ (30.3)	$ -	$ (30.3)	$ -
Interest expense	(1.9)	(3.1)	(3.6)	(6.0)
Investment and other income (expense), net	(0.7)	0.9	2.0	1.4
Other expense, net	$ (32.9)	$ (2.2)	$ (31.9)	$ (4.6)

In the second quarter of fiscal 2011 the Company acquired $30.4 million aggregate principal amount of its 5.5% convertible senior notes by delivering $19.7 million in cash and approximately 4.5 million shares of its common stock, with an approximate fair value of $39.2 million. In connection with this acquisition the Company recorded a debt extinguishment loss of $30.1 million, which included the write-off of $1.7 million of deferred financing fees. A portion of the net proceeds of the Company's March 28, 2011, 3.25% convertible senior notes offering was used to repay these obligations.

Interest expense decreased in Q2-11 as compared to Q2-10 and in YTD-11 as compared to YTD-10, primarily as a result of a $1.0 million write-off of deferred financing fees in Q2-10 in connection with an amendment of the Company's credit facility. Interest expense in YTD-11 decreased as compared to YTD-10 also as a result of lower weighted average borrowings and lower interest rates.

Investment and other income (expense) decreased in Q2-11 as compared to Q2-10 by $1.6 million due to unfavorable foreign currency transaction results. On a comparative YTD basis, investment and other income (expense) increased by $0.6 million due to higher interest and investment income, which was offset in part by reduced foreign currency transaction gains.

Income Tax Provision

	Three Months Ended		Six Months Ended	
	Q2-11	**Q2-10**	**YTD-11**	**YTD-10**
Income tax provision	$ (3.3)	$ (1.9)	$ (6.7)	$ (2.9)

The effective tax rate differs from the U.S. statutory rate of 35% in the second quarter and the first half of fiscal year 2011 primarily due to the impact of the non-deductible debt extinguishment loss recorded in the second quarter of 2011 and a higher level of earnings taxed at lowered statutory rates in foreign jurisdictions. In the second quarter and first half of fiscal year 2010, the effective tax rate differed from the U.S. statutory rate primarily because income tax provisions incurred in jurisdictions where the Company generated income before income taxes were, due to valuation allowances, not significantly offset by income tax benefits in jurisdictions where the Company incurred losses before income taxes. Further, in Korea and PSMC in Taiwan, various investment tax credits have been earned, which reduced the Company's effective income tax rate.

PKLT, the Company's FPD manufacturing facility in Taiwan, is accorded a tax holiday which commences in 2012 and expires in 2017. The availability of this tax holiday did not have a significant impact on the Company's decision to increase its Asian presence, as the Company's decision was in response to fundamental changes that took place in the semiconductor industry. This tax holiday had no dollar or per share effect in the six month periods ended May 1, 2011 and May 2, 2010.

Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests increased $0.7 million to $1.4 million in Q2-11 as compared to Q2-10, primarily due to increased net income at the Company's non-wholly owned subsidiary in Taiwan. Year to date, net income attributable to noncontrolling interests increased to $2.9 million in 2011 as compared to $0.9 million in 2010, primarily as a result of increased net income at the Company's non-wholly owned subsidiary in Taiwan.

During the three month period ended May 1, 2011, the board of directors of PSMC authorized PSMC to repurchase for retirement up to 5% of its outstanding common stock. The program, which expired in April, 2011, resulted in approximately 7.7 million shares (or 2.7% of its outstanding shares) being purchased at a total cost of $3.3 million. PSMC's repurchase of these shares increased the Company's ownership percentage in PSMC from 57.53% at October 31, 2010, to 59.14% at May 1, 2011. The Company's ownership percentage in its subsidiary in Korea was approximately 99.7% at May 1, 2011 and October 31, 2010.

Liquidity and Capital Resources

The Company's working capital was $179.5 million at May 1, 2011, and $86.6 million at October 31, 2010. The increase in working capital was primarily related to net proceeds of the Company’s issuance of 3.25% convertible debt, offset in part by repayments of certain other higher interest rate long-term borrowings. Cash and cash equivalents increased to $186.1 million at May 1, 2011, as compared to $98.9 million at October 31, 2010, primarily due to increased cash generated from operations and the issuance of 3.25% convertible debt, which was partially offset by payments for capital expenditures and repayments of certain other long-term borrowings. Net cash provided by operating activities was $64.0 million for the six month period ended May 1, 2011, as compared to $33.8 million for the six month period ended May 2, 1010, the increase primarily being due to the Company's increased net income before recognition of the non-cash portion of the debt extinguishment losses of $23.5 million and increases in accounts payable and accrued liabilities. Net cash used in investing activities for the six month period ended May 1, 2011, was $48.0 million, which was primarily comprised of capital expenditure payments and an increased investment in the MP Mask joint venture. Net cash provided by financing activities of $64.6 million for the six month period ended May 1, 2011, was primarily comprised of proceeds from the March 2011 issuance of 3.25% convertible notes, partially offset by repayment of certain other long-term borrowings.

On March 28, 2011, the company issued $115 million aggregate principal amount of 3.25% convertible senior notes. Net proceeds realized from the sale of the notes, which mature on April 1, 2016, and pay interest semiannually commencing on October 1, 2011, were approximately $110.5 million.

During the three month period ended May 1, 2011, the Company used $19.7 million of the net proceeds of the 3.25% convertible senior note sale and issued common stock to extinguish approximately $30.4 million principal amount of its 5.5% convertible senior notes, and used an additional $19.8 million of the net proceeds to repay its outstanding principal obligations under capital leases. The Company may use the remaining net proceeds to retire additional debt and for capital expenditure and working capital purposes.

On March 18, 2011, the Company and its lenders amended its revolving credit facility. Under the terms of the amended credit facility, the total amount available to the Company to borrow was reduced from $65 million to $30 million. The credit facility bears interest (2.75% at May 1, 2011), based on the Company’s total leverage ratio, at LIBOR plus a spread, as defined in the agreement.

The credit facility is secured by substantially all of the Company’s assets located in the United States, as well as common stock the Company owns in certain of its foreign subsidiaries, and is subject to the following financial covenants: minimum fixed charge ratio, total leverage ratio and minimum unrestricted cash balance.

In January, 2011 a $10 million irrevocable stand-by letter of credit for the purchase of manufacturing equipment was issued under the credit facility. As of May 1, 2011, the Company had no outstanding borrowings under the credit facility and $20 million was available for borrowing.

On April 29, 2011, the Company entered into a 5 year, $21.2 million capital lease of manufacturing equipment. Payments under the lease, which bears interest at 3.09%, are $0.4 million per month through March 2016. As of May 1, 2011, the total lease amount payable through the end of the lease term was $22.5 million, of which $20.9 million represented principal and $1.6 million represented interest.

The Company's liquidity is highly dependent on its sales volume, cash conversion cycle, and the timing of its capital expenditures (which can vary significantly from period-to-period), as it operates in a high fixed cost environment. Depending on conditions in the IC semiconductor and FPD markets, the Company's cash flows from operations and current holdings of cash may not be adequate to meet its current and long-term needs for capital expenditures, operations and debt repayments. Historically, in certain years the Company has used external financing to partially fund these needs. However, the Company cannot assure that additional sources of financing would be available to it on commercially favorable terms should its cash requirements exceed cash available from operations, existing cash, and cash available under its credit facility. The Company may, from time to time, opportunistically repurchase its convertible senior notes, in open market or privately negotiated transactions, on terms it believes to be favorable.

Share-Based Compensation

Total share-based compensation expense for the three and six month periods ended May 1, 2011, was $0.6 million and $1.1 million, respectively, as compared to $0.5 million and $1.0 million, respectively, for the comparable prior year periods, substantially all of which is in selling, general and administrative expenses. No compensation cost was capitalized as part of inventory, and no income tax benefit has been recorded. As of May 1, 2011, total unrecognized compensation cost of $5.5 million is expected to be recognized over a weighted-average amortization period of 3.0 years.

Off-Balance Sheet Arrangements

Under the operating agreement related to the MP Mask joint venture, in order to maintain its 49.99% interest, the Company may be required to make additional capital contributions to the joint venture up to the maximum amount defined in the operating agreement. However, should the Board of Managers determine that further additional funding is required, the joint venture shall pursue its own financing. If the joint venture is unable to obtain its own financing, it may request additional capital contributions from the Company. Should the Company choose not to make a requested contribution to the joint venture, its ownership percentage may be reduced. Cumulatively, through May 1, 2011, the Company has contributed $16.3 million to the joint venture, and has received distributions from the joint venture totaling $10.0 million. During the three and six month periods ended May 1, 2011, the Company increased its investment in MP Mask by $6.2 million and $10.2 million, respectively, primarily related to capital calls requested by the joint venture. The Company received no distributions from the joint venture during the six month period ended May 1, 2011. During the six month period ended May 2, 2010, there were no contributions made to the joint venture by the Company, and no distributions were received by the Company from the joint venture.

The Company leases certain office facilities and equipment under operating leases that may require it to pay taxes, insurance and maintenance expenses related to the properties. Certain of these leases contain renewal or purchase options exercisable at the end of the lease terms. On May 19, 2009, the Company and Micron Technologies, Inc. (Micron) entered into a new lease agreement for the U.S. nanoFab building and cancelled its prior lease agreement. The new lease, among other changes discussed in Note 4 to the condensed consolidated financial statements, extends the lease term from December 31, 2012 to December 31, 2014. The Company will account for it as an operating lease for the period of the lease extension. Rental payments due during the lease extension period total $13.9 million.

Business Outlook

A majority of the Company's revenue growth is expected to come from the Asian region, as customers increase their use of manufacturing foundries located outside of North America and Europe. Additional revenue growth is also anticipated in North America as the Company benefits from advanced technology under its technology license with Micron. The Company's Korean and Taiwanese operations are non-wholly owned subsidiaries, therefore, a portion of earnings generated at each of these locations is allocated to noncontrolling interests.

The Company continues to assess its global manufacturing strategy and monitor its market capitalization, sales volume and related cash flows from operations. This ongoing assessment could result in future facility closures, asset redeployments, additional impairments of intangible or long-lived assets, workforce reductions, or the addition of increased manufacturing facilities, all of which would be based on market conditions and customer requirements.

Effect of Recent Accounting Pronouncements

See Note 15 of the condensed consolidated financial statements for a summary of recent accounting pronouncements that may affect the Company’s financial reporting.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company records derivatives on the condensed consolidated balance sheets as assets or liabilities, measured at fair value. The Company does not engage in derivative instruments for speculative purposes. Gains or losses resulting from changes in the values of those derivatives are reported in the condensed consolidated statements of operations, or as accumulated other comprehensive income, a separate component of equity, depending on the use of the derivatives and whether they qualify for hedge accounting. In order to qualify for hedge accounting, among other criteria, the derivative must be a hedge of an interest rate, price, foreign currency exchange rate, or credit risk, that is expected to be highly effective at the inception of the hedge and be highly effective in achieving offsetting changes in the fair value or cash flows of the hedged item during the term of the hedge, and formally documented at the inception of the hedge. In general, the types of risks hedged are those related to the variability of future cash flows caused by movements in foreign currency exchange and interest rates. The Company documents its risk management strategy and hedge effectiveness at the inception of, and during the term of each hedge.

Foreign Currency Exchange Rate Risk

The Company conducts business in several major international currencies through its worldwide operations and is subject to changes in foreign exchange rates of such currencies. Changes in exchange rates can positively or negatively affect the Company's sales, operating margins, assets, liabilities, and equity. The functional currencies of the Company's Asian subsidiaries are the Korean won, New Taiwan dollar, and the Singapore dollar. The functional currencies of the Company's European subsidiaries are the pound sterling and the euro.

The Company attempts to minimize its risk of foreign currency transaction losses by producing its products in the same country in which the products are sold (thereby generating revenues and incurring expenses in the same currency), and by managing its working capital. In some instances, the Company may sell or purchase products in a currency other than the functional currency of the country where it was produced. There can be no assurance that this approach will continue to be successful, especially in the event of a significant adverse movement in the value of any foreign currencies against the U.S. dollar. In certain recent years the Company experienced significant foreign exchange losses on these transactions.

The Company's primary net foreign currency exposures as of May 1, 2011 included the Korean won, the Japanese yen, the Singapore dollar, the New Taiwan dollar, the British pound, and the euro. As of May 1, 2011, a 10% adverse movement in the value of these currencies against the U.S. dollar would have resulted in a net unrealized pre-tax loss of $2.8 million. The Company does not believe that a 10% change in the exchange rates of other non-U.S. dollar currencies would have a material effect on its consolidated financial position, results of operations, or cash flows.

Interest Rate Risk

At May 1, 2011, the Company did not have any variable rate borrowings. Accordingly, a change in interest rates would not have had a material effect on the Company's consolidated financial position, results of operations, or cash flows in the three or six month period ended May 1, 2011.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company has established and currently maintains disclosure controls and procedures designed to ensure that information required to be disclosed in its reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to management, including the Company's chief executive officer and chief financial officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

The Company’s management, under the supervision and with the participation of the Company’s chief executive officer and chief financial officer, evaluated the effectiveness of the design and operation of the Company’s disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation the Company’s chief executive officer and chief financial officer concluded that the Company’s disclosure controls and procedures were effective at a reasonable assurance level as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting

There was no change in the Company's internal control over financial reporting during the Company's second quarter of fiscal 2011 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. RISK FACTORS

There have been no material changes to risks relating to the Company's business as disclosed in Part 1, Item 1A of the Company's Form 10-K for the year ended October 31, 2010.

Item 6. EXHIBITS

(a) Exhibits

Exhibit Number	Description
4.5	Indenture dated March 28, 2011 between the Company and Bank of Nova Scotia Trust Company of New York (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed on March 29, 2011).
4.6	First Supplemental Indenture dated April 27, 2011 between the Company and Bank of Nova Scotia Trust Company of New York.
10.40	Executive Employment Agreement between the Company and Soo Hong Jeong dated May 31, 2011.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Photronics, Inc.
(Registrant)

By: /s/ SEAN T. SMITH

Sean T. Smith
Senior Vice President
Chief Financial Officer
(Duly Authorized Officer and
Principal Financial Officer)

Date: June 8, 2011

FIRST SUPPLEMENTAL INDENTURE

Dated as of April 27, 2011

3.25% Convertible Senior Notes due 2016

FIRST SUPPLEMENTAL INDENTURE, dated as of April 27, 2011, between Photronics, Inc., a Connecticut corporation (the "**Company**") and The Bank of Nova Scotia Trust Company of New York, a New York banking corporation, as trustee (the "**Trustee**").

RECITALS

WHEREAS, the Company and the Trustee have executed and delivered an Indenture, dated as of March 28, 2011 (the "**Indenture**"), to provide for the issuance of 3.25% Convertible Senior Notes due 2016 of the Company (the "Notes"), initially in an aggregate principal amount not to exceed $115,000,000; and

WHEREAS, Section 10.01(g) of the Indenture permits execution of supplemental indentures without the consent of any Holder for the purpose of changing any of the provisions of the Indenture; provided, that such change does not adversely affect the rights of any Holder; and

WHEREAS, the entry into this First Supplemental Indenture by the parties hereto is authorized by the provisions of the Indenture;

NOW, THEREFORE, the Company and the Trustee mutually covenant and agree, for the equal and proportionate benefit of the respective Holders, as follows:

ARTICLE 1
RELATION TO THE INDENTURE; DEFINITIONS

Section 1.01. *Relation to the Indenture.* This First Supplemental Indenture constitutes an integral part of the Indenture.

Section 1.02. *Definitions.* Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Indenture.

ARTICLE 2
AMENDMENT OF THE INDENTURE

Section 2.01 *Amendment to Article 14 of the Indenture.* Article 14 of the Indenture is hereby amended by inserting the following new Section 14.12:

"Section 14.12. *Limitation on Issuance of Common Stock*.

(a) Notwithstanding anything to the contrary in this Indenture, unless the Company shall have received the shareholder approval described in Section 14.12(c) (which the Company shall have no obligation to seek), the Company shall not issue any shares of Common Stock upon a conversion of Notes pursuant to this Indenture if, after giving effect to such conversion, the aggregate number of shares of Common Stock issued pursuant to this Indenture, after adjusting any previous conversions for the Conversion Rate as then in effect (collectively, the "**Indenture Shares**"), would exceed the "**Maximum Shares**" as calculated on the Conversion Date for such Notes by the following formula:

$$MS = 0.1999 \left(OS \times \frac{CR_1}{CR_0}\right)$$

where,
MS = the Maximum Shares
OS = the number of shares of Common Stock outstanding on the date of the initial issuance of the Notes
CR_0 = the Conversion Rate in effect on the date of the initial issuance of the Notes
CR_1 = the Conversion Rate in effect on the relevant Conversion Date

(b) If conversion of any Note would cause the Indenture Shares to exceed the Maximum Shares as determined pursuant to Section 14.12(a) in the sole discretion of the Company (consistent with Nasdaq listing standards), then upon conversion of such Notes, a Holder will receive, in lieu of any shares of Common Stock in excess of the Maximum Shares (the "Excess Shares"), cash in an amount equal to (i) the number of Excess Shares, multiplied by (ii) the Last Reported Sale Price of the Common Stock on the relevant Conversion Date.

(c) The restrictions of Section 14.12 shall automatically terminate if and when the shareholders of the Company duly approve the issuance of shares of Common Stock under this Indenture in excess of the Maximum Shares for purposes of NASDAQ Listing Rule 5635(d) or any successor rule.

(d) For the avoidance of doubt, the Conversion Rate for purposes of determining the "Maximum Shares" issuable under the Indenture pursuant to Section 14.12(a) shall be determined pursuant to Section 14.04, without giving effect to any Additional Shares that would be added to the Conversion Rate pursuant to Section 14.03."

ARTICLE 3
MISCELLANEOUS PROVISIONS

Section 3.01. *Supplemental Indenture*. The Indenture, as supplemented and amended by this First Supplemental Indenture, is in all respects hereby adopted, ratified and confirmed.

Section 3.02. *Effectiveness*. This First Supplemental Indenture shall take effect as of the date hereof.

Section 3.03. *Effect of Headings.* The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

Section 3.04 *Separability Clause.* In case any provision in this First Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions herein shall not in any way be affected or impaired thereby.

Section 3.05. *Governing Law*. This First Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York (without regard to conflicts of laws principles that would result in the application of the laws of any other jurisdiction).

Section 3.06 *Execution by the Trustee.* The Trustee has executed this First Supplemental Indenture only upon the terms and conditions set forth in the Indenture. Without limiting the generality of the foregoing, the Trustee shall not be responsible for the correctness of the recitals contained herein, which shall be taken as statements of the Company, and the Trustee makes no representation as to and shall have no responsibility for, or in respect of, the validity or sufficiency of this First Supplemental Indenture or the execution hereof by any Person (other than the Trustee).

Section 3.07 *Counterparts.* This First Supplemental Indenture may be executed in any number of counterparts (including by facsimile, ".pdf" or other electronic means), each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this First Supplemental Indenture to be duly executed, all as of the day and year first above written.

Photronics, Inc.

By: /s/ Richelle Burr
Name: Richelle Burr
Title: Vice President, General Counsel

The Bank of Nova Scotia Trust Company of New York, as Trustee

By: /s/ Warren A. Goshine
Name: Warren A. Goshine
Title: Vice President

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is entered into as of January 1, 2011 among Photronics, Inc., a Connecticut corporation (the "Company"), having a principal place of business at 15 Secor Road, Brookfield, CT 06804, PKL, a company incorporated under the laws of Korea ("PKL") and Soo Hoo Jeong residing at 272-3, Gumi-Dong, Bundang, Seongnam, Kyeonggi, Korea 463-802 ("Executive").

WITNESSETH:

WHEREAS, the Company, PKL and Executive desire to enter into this Agreement to assure the Company of the continuing service of Executive and to set forth the terms and conditions of Executive's employment with the Company.

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth herein, the parties agree as follows:

1. Term. The Company agrees to employ Executive and Executive hereby accepts such employment, in accordance with the terms of this Agreement. Subject to Section 5, the term of Executive's employment shall commence on the date hereof and continue for three (3) years thereafter unless this Agreement is earlier terminated as provided herein (the "Term"); provided, however, that unless the Company gives written notice to Executive at least thirty (30) days prior to the end of the Term of this Agreement (as the Term may be extended pursuant to this Section 1), on each anniversary of the date hereof, the Term of this Agreement shall automatically be extended for an additional one (1) year period.

2. Services. So long as this Agreement shall continue in effect, Executive shall devote Executive's full business time, energy and ability to the business, affairs and interests of the Company and its subsidiaries and matters related thereto. Executive shall use his best efforts and abilities to promote the Company's interests and shall perform faithfully the services contemplated by this Agreement in accordance with the Company's policies as established by the Board of Directors of the Company.

3. Duties and Responsibilities.

(a) Executive shall serve as the Chief Operating Officer of the Company, President Asia Operations and shall also service as the Chairman and Chief Executive Officer of PK, Ltd ("PKL"), a majority owned subsidiary of the Company. In the performance of Executive's duties, Executive shall report directly to the CEO or as otherwise directed by the CEO or the Company's Board of Directors, and shall have such duties, responsibilities and authority as may from time to time be assigned to the Executive by the CEO or the Company's Board of Directors.

(b) In addition, Executive agrees to observe and comply with the policies, rules and regulations of the Company. The Company agrees that the duties which may be assigned to Executive shall be the customary duties of the office of Chief Operating Officer, President of Asia Operations and Chairman and Chief Executive Officer of PKL and shall not be inconsistent with the provisions of the charter documents of the Company, PKL or applicable law.

4. Compensation.

(a) Base Compensation. During the Term, Executive will receive a base salary at the rate of U.S. $475,000 per year payable in accordance with the Company's customary payroll practices generally applicable to similarly situated employees as may be in effect from time to time (the "Base Salary"). Executive's base salary will be paid by PKL in Korea. At the end of each fiscal quarter PKL shall prepare a calculation of the average exchange rate for converting US dollar to Korean Won for each month in that quarter. PKL will then use the average exchange rate and compare that to the base salary paid to Executive for that quarter. As a result of the comparison, any overpayments by PKL will be reimbursed by Executive within ten days of receiving notification from PKL and any underpayments by PKL will be paid by PKL to Executive within ten days of completing the review.

(b) Periodic Review. The Compensation Committee or the Board of Directors of the Company shall review Executive's Base Salary and Benefits (as defined below) from time to time in accordance with the normal business practices of the Company. The Company may in its sole discretion increase the Base Salary during the Term. The amount of any increase combined with the previous year's Base Salary shall then constitute Executive's Base Salary for purposes of this Agreement.

(c) Additional Benefits. During the Term, the Executive shall be entitled to participate in the PKL employee benefit plans and arrangements as may be established from time to time in Korea (which may include, without limitation, medical plan, dental plan, disability plan, basic life insurance and business travel accident insurance plan, and the Company's bonus plan(s), or stock award plans or any successor plans thereto (the "Benefits")). The Company or PKL shall have the right to terminate or change any such plans or programs at any time. Upon termination of Executive's employment with PKL, Executive will receive a lump sum payment of U.S. $108,000 multiplied by the total number of years that Executive was employed by PKL (including years prior to the date of this Agreement). The sum of $108,000 shall be fixed and is not subject to escalation or increase based on any bonus or salary increase that Executive may receive during the term of this Agreement (said retirement payment being referred to as the "PKL Retirement Payment"). The PKL Retirement Payment shall be paid either in U.S. dollars or the equivalent amount in Korean Won at the time of payment.

(d) Automobile Allowance. During the Term of this Agreement, the Company shall provide the Executive with a company car and driver as is customary in Korea.

(e) Vacation. During the Term of this Agreement, Executive shall be entitled to four (4) weeks' paid vacation per calendar year, which shall not be transferable to any subsequent year.

(f) Country Club Membership. The Company will pay the annual membership fee on behalf of Executive to Two Country Clubs in Korea that Executive has membership to and uses for business purposes as is customary in Korea

5. Termination. This Agreement and all rights and obligations hereunder, except the rights and obligations contained in this Section 5, Section 7 (Confidential Information), Section 8 (Non-Competition), Section 9 (Intellectual Property) and Section 10 (Remedies), which shall survive any termination hereunder, shall terminate upon the earliest to occur of any of the following:

(a) Resignation without Good Reason; Retirement. Upon the resignation by Executive without Good Reason (as defined below) following at least thirty (30) days written notice to the Company or retirement from the Company in accordance with the normal retirement policies of the Company, Executive shall be entitled to receive a payment in the amount of the sum of (A) Executive's Base Salary through the last day of employment to the extent not theretofore paid, (B) any compensation previously deferred by Executive (together with any accrued interest or earnings thereon), (C) any accrued vacation pay according to PKL's local policy, and (D) the total amount of the PKL Retirement Payment as set forth in 4 (c) above in each case to the extent not theretofore already paid (the sum of the amounts described in clauses (A), (B), (C) and (D) shall be hereinafter referred to as the "Accrued Obligations"), in a lump sum, subject to statutory deductions and withholdings, in cash within ten (10) business days after the last day of employment or any earlier time required by applicable law.

(b) Death or Disability of Executive.

(i) If Executive's employment is terminated by reason of Executive's death or disability, this Agreement shall terminate without further obligations to Executive (or Executive's heirs or legal representatives) under this Agreement, other than for:

(1) Payment of any Accrued Obligations, which shall be paid to Executive or Executive's estate or beneficiary, as applicable, in a lump sum, subject to statutory deductions and withholdings, in cash within ten (10) business days after the date of termination or any earlier time required by applicable law.

(2) Payment to Executive or Executive's estate or beneficiary, as applicable, of any amount accrued pursuant to the terms of any other applicable benefit plan.

(ii) If Executive shall become disabled, Executive's employment may be terminated only by written notice from the Company to Executive.

(iii) For the purposes of this Agreement, "disability" or "disabled" shall mean a mental or physical incapacity which prevents Executive from performing Executive's duties with the Company for a period of three hundred sixty (360) consecutive calendar days, as certified by a physician selected by the Company or its insurers.

(c) Termination for Cause.

(i) The Company may terminate Executive's employment and all of Executive's rights to receive Base Salary, and any Benefits hereunder for Cause.

(ii) Upon such termination for Cause, Executive shall be entitled to receive any Accrued Obligations, which shall be paid to Executive in a lump sum, subject to statutory deductions and withholdings, in cash within ten (10) business days after the date of termination or any earlier time required by applicable law.

(iii) For purposes of this Agreement, the term "Cause" shall be defined as any of the following:

(1) Executive's material breach of any of any obligations under this Agreement (other than by reason of physical or mental illness, injury, or condition);

(2) Executive's conviction by, or entry of a plea of "guilty" or "nolo contendere" in a court of competent and final jurisdiction for any felony that impairs his ability to perform his duties to the Company or any crime of moral turpitude;

(3) Executive's commission of an act of fraud upon the Company;

(4) Executive's engaging in willful or reckless misconduct or gross negligence in connection with any property or activity of the Company or its Affiliates;

(5) Executive's repeated and intemperate use of alcohol or illegal drugs after written notice from the Board or Directors;

(6) Executive's material breach of any other material obligation to the Company (other than by reason of physical or mental illness, injury, or condition) that is or could reasonably be expected to result in material harm to the Company;

(7) Executive's becoming insolvent or filing for bankruptcy;

(8) Executive's becoming barred or prohibited by the SEC from holding Executive's position with the Company; or

(9) Executive's violation of any duty of loyalty (i.e., engaging in self-interested transactions, misappropriation of business opportunities that belong to the Company or PKL, or a breach of Executive's fiduciary duties to the Company or PKL).

(d) Termination Without Cause; Resignation For Good Reason.

(i) Notwithstanding any other provision of this Section 5, (i) the Company may, at its option and at any time, provide to Executive: (A) up to twelve (12) months' advance written notice of termination of employment without Cause, or (B) written notice of a current material adverse change in the Executive's position (such notice in (A) or (B) being referred to herein as a "Working Notice"). If the Company issues a Working Notice to the Executive, any entitlement to a Severance Payment and Benefit Period (as defined below) shall be reduced in proportion to the period covered by the Working Notice. During the period covered by the Working Notice, the Executive shall continue to provide the services according to Section 2, hereof as an employee of the Company. If the Executive resigns during the period covered by the Working Notice, then Executive shall receive only the Accrued Obligations through the date of termination. Executive, upon thirty (30) days advance notice to the Company, shall have the right to resign for Good Reason.

(ii) If Executive is so terminated without Cause or resigns for Good Reason, Executive shall receive from the Company:

(1) Any Accrued Obligations through the date of termination, which shall be paid to Executive in a lump sum, subject to statutory deductions and withholdings, in cash within ten (10) business days after the date of termination or any earlier time required by applicable law.

(2) A payment ("Severance Payment") equal to twelve (12) months of Executive's current Base Salary. The Severance Payment shall be paid by the Company to Executive in equal installments, following the expiration of the Revocation Period defined in the Release referred to in Section 5(d)(iv), in accordance with the Company's customary payroll practices generally applicable to similarly situated employees as may be in effect from time and shall be subject to statutory deductions and withholdings.

(iii) As used in this Agreement, the term "Good Reason" shall mean (i) (except as set forth in Section 5(e)) the relocation of the Company's principal executive offices to a location outside the contiguous 48 United States without the consent of Executive or (ii) a material diminution in Executive's overall employee benefits not the result of changes in benefit plans affecting other employees, without the consent of Executive.

(iv) As a condition to receiving the payment and benefits extension contemplated by Section 5(d) or 5(e), Executive agrees to execute and deliver to the Company the Release substantially in the form attached to this Agreement as Exhibit A.

(e) Change of Control.

(i) For purposes of the Agreement, a "change of control" means, and shall be deemed to have taken place, if;

(1) any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity or person, or any syndicate or group deemed to be a person under Section 14 (d) (2) of the Exchange Act, is or becomes the "beneficial owner" (as defined in Rule 13d-3 of the General Rules and Regulations under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities entitled to vote in the election of directors of the Company;

(2) during any period of two (2) consecutive years (not including any period prior to the execution of this Agreement) individuals who at the beginning of such period constituted the Board and any new directors, whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least three-fourths (3/4ths) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority of the Board;

(3) there occurs a reorganization, merger, consolidation or other corporate transaction involving the Company (a "Transaction"), and shareholders of the Company immediately prior to such Transaction do not, immediately after the Transaction, own more than 50% of the combined voting power of the Company or other corporation resulting from such Transaction; or

(4) there is a "change in control" of the Company.

(iii) If during the period three (3) months before or two (2) years following a "change in control" of the Company (or any successor), the Executive is terminated by the Company for any reason (other than for Cause as defined in Section 5(c) thereof), including an election by the Company or its successor not to extend this Agreement pursuant to Section 1, or the Executive resigns for Good Reason as defined in Section 5(e)(ii)), " "Executive shall be entitled to receive a cash payment equal to eighteen (18) months of Executive's current Base Salary and the benefits described in Section 5(d)(ii) of the Agreement. Upon such "change of control" during the Term, the Term of this Agreement shall automatically be the period equal to the longer of (i) two (2) years from the date of the "change of control" or (ii) the remaining period of the initial three (3) year Term after the "change of control". In no event shall Executive be entitled to receive both the Severance Payment described in Section 5(d) hereof and the "change of control" payment described in this Section 5(e).

(iv) Any payments to be made to Executive in connection with this Section 5(e) shall be made in a lump sum, subject to statutory deductions and withholdings, in cash within ten (10) business days after the date of termination or any earlier time required by applicable law, following the expiration of the Revocation Period defined in the Release referred to in Section 5(d)(iv).

(g) Treatment of Stock Options Upon Change of Control or a Termination.

(i) All stock options or similar rights granted to Executive pursuant to the Company's stock option plans including, without limitation, any restricted stock shall immediately vest as of the effective date of such "change of control".

(ii) If this Agreement is terminated pursuant to clause (c) of this Section 5 or if Executive resigns his employment, all unvested stock options granted to Executive pursuant to the Company's stock plans shall terminate immediately.

To the extent that the Executive has been granted stock options intended to be incentive stock options under Section 422 of the Internal Revenue Code, such stock options shall cease to be incentive stock options and shall be treated as nonqualified stock options if the options are exercised by the Employee more than three (3) months (one year in case of death or disability as defined in Section 422 of the Internal Revenue Code) following termination of employment.

Except as expressly modified by this clause (g) of this Section 5, all stock options and similar rights granted under the Company's stock plans shall remain subject to all of the terms and conditions of the applicable stock plans and agreements evidencing the grants thereof.

(h) Exclusive Remedy. Executive agrees that the payments and other benefits provided and contemplated by this Agreement shall constitute the sole and exclusive obligation of the Company in respect of Executive's employment with and relationship to the Company and PKL and that the full payment thereof shall be the sole and exclusive remedy for any termination of Executive's employment. Executive covenants not to assert or pursue any other remedies, at law (including Korean statutory law) or in equity, with respect to any termination of employment. Executive further agrees that all previous employment agreements with either the Company or PKL will be terminated and except as set forth herein neither PKL nor the Company will have any other obligations or liabilities to Executive. Lastly, Executive further agrees that it waives any and all rights or remedies it may have under any Korean statutory or labor laws.

6. Business Expenses. During the Term of this Agreement, to the extent that such expenditures satisfy the criteria under applicable laws for deductibility by PKL as ordinary and necessary business expenses, PKL shall provide the Executive with reimbursement of reasonable business expenses incurred by the Executive in a manner consistent with the Company's policies and provisions applicable to the Executives of the Company.

7. Confidential Information.

(a) Executive acknowledges that the nature of Executive's employment by the Company is such that Executive shall have access to information of a confidential and/or trade secret nature which has great value to the Company and which constitutes a substantial basis and foundation upon which the business of the Company is based. Such information includes (A) trade secrets, inventions, mask works, ideas, processes, manufacturing, formulas, source and object codes, data, programs, other works of authorship, know-how, improvements, discoveries, developments or experimental work, designs, and techniques; (B) information regarding plans for research, development, new products, marketing and selling, business plans, budgets and unpublished financial statements, licenses, prices and costs, suppliers and customers; (C) information regarding the skills and compensation of other employees the Company or its affiliates, including but not limited to, their respective business plans or clients (including, without limitation, customer lists and lists of customer sources), or information relating to the products, services, customers, sales or business affairs of the Company or its Affiliates (the "Confidential Information").

(b) Executive shall keep all such Confidential Information in confidence during the Term of this Agreement and at any time thereafter and shall not disclose any of such Confidential Information to any other person, except to the extent such disclosure is (i) necessary to the performance of this Agreement and in furtherance of the Company's best interests, (ii) required by applicable law, (iii) publicly known within the relevant industry, or (iv) authorized in writing by the Board. Upon termination of Executive's employment with the Company, Executive shall deliver to the Company all documents, records, notebooks, work papers, and all similar material containing any of the foregoing information, whether prepared by Executive, the Company or anyone else.

8. Non-Competition. Executive covenants and agrees that commencing on the date hereof and continuing for the entire Term of Executive's employment and for period of twelve (12) months thereafter (the "Restricted Period"), Executive shall not:

(a) Work or be affiliated with in any capacity (including as a founder, employee, owner, consultant, or otherwise), directly or indirectly, for himself or on behalf of any other entity, in any business that manufacturers photomasks or that is otherwise competitive with the business of the Company or any subsidiary of the Company at any time during Executive's employment or during the Restricted Period, such as, for example and not as a limitation, Toppan, DNP and the photomask manufacturing operations of semiconductor manufacturers such as IBM and TSMC.

(b) Solicit, attempt to solicit, or assist others in soliciting or attempting to solicit, directly or indirectly, any business related to the business of the Company from any customers or prospective customers of the Company; for the purposes of this Section 8, the term "customer" means any entity or person who is or has been a client or customer of the Company during the time which Executive was employed with the Company, and the term "prospective customer" means a person or entity who became known to the Company during the time which Executive was employed with the Company as a result of that person's or entity's interest in obtaining the services or products of the Company; and

(c) Solicit, attempt to solicit, or assist others in soliciting or attempting to solicit, directly or indirectly, for employment or similar capacity, any person who is an employee of, or an independent contractor for, the Company or its direct or indirect subsidiaries, parents or Affiliates or who was such an employee within twelve (12) months prior to the date of such solicitation or attempted solicitation.

(d) Executive acknowledges that in the event of his employment with the Company terminates for any reason, Executive will be able to earn a livelihood without violating the foregoing restrictions.

(e) If any provision or clause, or portion thereof, within this Section 8 shall be held by any court or other tribunal of competent jurisdiction to be illegal, invalid, or unenforceable in such jurisdiction, the remainder of such provision shall not be thereby affected and shall be given full effect, without regard to the invalid portion. It is the intention of the parties that, if any court construes any provision or clause within this Section 8, or any portion thereof, to be illegal, void or unenforceable because of the duration of such provision or the geographic area or matter covered thereby, such court shall reduce the duration, area, or matter of such provision, and, in its reduced form, such provision shall then be enforceable and shall be enforced.

9. Intellectual Property.

(a) Executive has no interest (except as disclosed to the Company) in any inventions, designs, improvements, patents, copyrights and discoveries which are useful in or directly or indirectly related to the business of PKL or the Company or to any experimental work carried on by the Company or PKL. Except as may be limited by applicable law, all inventions, designs, improvements, patents, copyrights and discoveries conceived by Executive during the Term of this Agreement which are useful in or directly or indirectly related to the business of PKL or the Company or to any experimental work carried on by PKL or the Company, shall be the property of PKL or the Company. Executive will promptly and fully disclose to PKL or the Company all such inventions, designs, improvements, patents, copyrights and discoveries (whether developed individually or with other persons) and will take all steps necessary and reasonably required to assure PKL or the Company's ownership thereof and to assist PKL or the Company in protecting or defending PKL or the Company's proprietary rights therein.

(b) Executive also agrees to assist the Company in obtaining United States or foreign letters patent and copyright registrations covering inventions assigned hereunder to the Company and that Executive's obligation to assist the Company shall continue beyond the termination of Executive's employment but the Company shall compensate Executive at a reasonable rate for time actually spent by Executive at the Company's request with respect to such assistance. If the Company is unable because of Executive's mental or physical incapacity (for the period of such incapacity only) or for any other reason to secure Executive's signature to apply for or to pursue any application for any United States or foreign letters patent or copyright registrations covering inventions assigned to the Company (after reasonable efforts to contact employee), then Executive hereby irrevocably designates and appoints the Company, each of its duly authorized officers and agents as Executive's agent and attorney-in-fact to act for and in Executive's behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent or copyright registrations thereon with the same legal force and effect as if executed by Executive. Executive will perform all other lawful acts necessary to assist the Company to enforce any copyrights or patents obtained including, without limitation, testifying in any suit or proceeding involving any of the copyrights or patents or executing any documents deemed necessary by the Company, all without further consideration but at the expense of the Company. If Executive is called upon to render such assistance after the termination of Executive's employment, then Executive shall be entitled to a fair and reasonable per diem fee in addition to reimbursement of any expenses incurred at the request of the Company.

10. Remedies. The parties hereto agree that the services to be rendered by Executive pursuant to this Agreement, and the rights and privileges granted to the Company and PKL pursuant to this Agreement, are of a special, unique, extraordinary and intellectual character, which gives them a peculiar value, the loss of which cannot be reasonably or adequately compensated in damages in any action at law, and that a breach by Executive of any of the terms of this Agreement will cause the PKL or the Company great and irreparable injury and damage. Executive hereby expressly agrees that the PKL or Company shall be entitled to the remedies of injunction, specific performance and other equitable relief to prevent a breach of this Agreement by Executive. This Section 10 shall not be construed as a waiver of any other rights or remedies which the Company or PKL may have for damages or otherwise.

11. Return of Property. Executive agrees to return, on or before his last day of employment, all property belonging to the Company, including but not limited to computers, PDA, telephone and other credit cards, PKL or Company business records, PKL or Company automobile (if applicable), etc.

12. Severability. If any provision of this Agreement is held to be unenforceable for any reason, it shall be adjusted rather than voided, if possible, to achieve the intent of the parties to the extent possible. In any event, all other provisions of this Agreement shall be deemed valid and enforceable to the extent possible.

13. Succession. This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns and any such successor or assignee shall be deemed substituted for the Company under the terms of this Agreement for all purposes. As used herein, “successor” and “assignee” shall include any person, firm, corporation or other business entity which at any time, whether by purchase, merger or otherwise, directly or indirectly acquires the stock of the Company or to which the Company assigns this Agreement by operation of law or otherwise. The obligations and duties of Executive hereunder are personal and otherwise not assignable. Executive’s obligations and representations under this Agreement will survive the termination of Executive’s employment, regardless of the manner of such termination.

14. Notices. Any notice or other communication provided for in this Agreement shall be in writing and sent if to the Company to its principal office at:

Photronics, Inc.
15 Secor Road, PO Box 5226
Brookfield, Connecticut 06804

Attention: Chief Executive Officer
With a copy to the Vice President, General Counsel of Photronics, Inc.

or at such other address as the Company may from time to time in writing designate, and if to Executive at the address set forth above or at such address as Executive may from time to time in writing designate. Each such notice or other communication shall be effective (I) if given by written telecommunication, three (3) days after its transmission to the applicable number so specified in (or pursuant to) this Section 14 and a verification of receipt is received, (ii) if given by certified mail, once verification of receipt is received, or (iii) if given by any other means, when actually delivered to the addressee at such address and verification of receipt is received.

15. Adequate Consideration. Executive acknowledges that the cash severance and other benefits to be provided by the Company to Executive are not available under any current plan or policies of the Company. Accordingly, Executive further acknowledges that the payments and benefits under this Agreement provide adequate consideration for Executive's obligations to the Company contained in Section 7 (Confidential Information), Section 8 (Non-Competition), Section 10 (Remedies) and Exhibit A (Release).

16. Entire Agreement. This Agreement contains the entire agreement of the parties relating to the subject matter hereof and supersedes any prior agreements, undertakings, commitments and practices relating to Executive's employment by the Company.

17. Amendments. No amendment or modification of the terms of this Agreement shall be valid unless made in writing, duly executed by both parties.

18. Waiver. No failure on the part of any party to exercise or delay in exercising any right hereunder shall be deemed a waiver thereof or of any other right, nor shall any single or partial exercise preclude any further or other exercise of such right or any other right.

19. Governing Law. This Agreement, and the legal relations between the parties, shall be governed by and construed in accordance with the laws of the State of Connecticut without regard to conflicts of law doctrines and any court action arising out of this Agreement shall be brought in any court of competent jurisdiction within the State of Connecticut.

20. Withholding. All compensation payable hereunder, including salary and other benefits, shall be subject to applicable taxes, withholding and other required, normal or elected employee deductions.

21. Counterparts. This Agreement and any amendment hereto may be executed in one or more counterparts. All of such counterparts shall constitute one and the same agreement and shall become effective when a copy signed by each party has been delivered to the other party.

22. Headings. Section and other headings contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

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

THE COMPANY

PHOTRONICS, INC.

By: /s/ Richelle Burr
Name: Richelle Burr
Title:

EXECUTIVE

/s/ Soo Hoo Jeong
Name: Dr. Soo Hoo Jeong
Address: 272-3 Gumi-Dong, Bundang, Seongnam, Kyeonggi, Korea 463-802

PKL

/s/ Soo Hoo Jeong
Name: Dr. Soo Hoo Jeong
Title:

EXHIBIT A

RELEASE

1. I signed an Employment Agreement with Photronics, Inc. (the “Company”), effective January 1, 2011 (the “Agreement”), wherein I agreed to the terms applicable to certain terminations of employment with the Company. Pursuant to the terms of the Agreement, I am entitled to certain severance payments and benefits, described in the Agreement, provided that I sign this Release.

2. In consideration of the severance payments described in the Agreement, I, on behalf of myself, my heirs, agents, representatives, predecessors, successors and assigns, hereby irrevocably release, acquit and forever discharge the Company and each of its respective agents, employees, representatives, parents, subsidiaries, divisions, affiliates, officers, directors, shareholders, investors, employees, attorneys, transferors, transferees, predecessors, successors and assigns, jointly and severally (the “Released Parties”) of and from any and all debts, suits, claims, actions, causes of action, controversies, demands, rights, damages, losses, expenses, costs, attorneys’ fees, compensation, liabilities and obligations whatsoever, suspected or unsuspected, known or unknown, foreseen or unforeseen, arising at any time up to and including the date of this Release, save and except for the parties’ obligations and rights under this Release. In recognition of the consideration set forth in the Agreement, I hereby release and forever discharge the Released Parties from any and all claims, actions and causes of action, I have or may have as of the date of this Release arising under any federal, state, or local statute, regulation, ordinance, or law of any kind, including under the Age Discrimination in Employment Act of 1967, as amended, and the applicable rules and regulations promulgated thereunder (“ADEA”), the Connecticut Human Rights and Opportunities Law, the Connecticut Family and Medical Leave Law, and the Connecticut Age Discrimination and Employee Insurance Benefits Law, and including claims for wrongful discharge, breach of contract, or in tort.

3. I agree not to criticize, denigrate, or otherwise disparage the Company or any other Released Party.

4. This Release is not an admission of guilt or wrongdoing by either me or the Company. This Release constitutes the entire agreement between me and the Company with respect to the subject matter hereof, and I am not signing this Release in reliance on any representation not expressly set forth herein. No provisions of this Release may be modified, waived, amended or discharged except by a written document signed by me and a duly authorized Company representative. This Release binds my heirs, administrators, representatives, executors, successors, and assigns, and will inure to the benefit of all Released Parties and their respective heirs, administrators, representatives, executors, successors, and assigns. The invalidity or unenforceability of any provision of this Release shall not affect the validity or enforceability of any other provision of this Release, which shall remain in full force and effect. A waiver of any conditions or provisions of this Release in a given instance shall not be deemed a waiver of such conditions or provisions at any other time. If any of the provisions, terms or clauses of this Release are declared illegal, unenforceable or ineffective in a legal forum, those provisions, terms and clauses shall be deemed severable, such that all other provisions, terms and clauses of this Release shall remain valid and binding upon both parties. If any of the provisions, terms or clauses of this Release are found by a court to be overly broad, those provisions, terms and clauses shall be enforceable (and modified and enforced) to the broadest extent permissible under the law. The validity, interpretation, construction, and performance of this Release shall be governed by the internal laws of the State of Connecticut (excluding any that mandate the use of another jurisdiction's laws)

5. All payments to me under this Release shall be net of applicable withholdings and deductions.

6. The Company advised me to take this Release home, read it, and carefully consider all of its terms before signing it. The Company gave me at least 21 days in which to consider this Release, and I waive any right I might have to additional time beyond this consideration period within which to consider this Release. The Company advised me to discuss this Release with my own attorney (at my own expense) during this period if I wished to do so. I understand that I may revoke my acceptance of this Release within seven (7) days after I sign it ("Revocation Period"). I understand that if I revoke my acceptance of this Release, I will not be entitled to any payments or benefits hereunder or otherwise in connection with the termination of my employment with the Company, except as required by law in the absence of the Agreement and this Release. I have carefully read this Release, fully understand what it means, and am entering into it voluntarily.

Dr. Soo Hoo Jeong

/s/ Soo Hoo Jeong

Signature

EXHIBIT 31.1

I, Constantine S. Macricostas, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Photronics, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ CONSTANTINE S. MACRICOSTAS

Constantine S. Macricostas
Chief Executive Officer
June 8, 2011

EXHIBIT 31.2

I, Sean T. Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Photronics, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ SEAN T. SMITH

Sean T. Smith
Chief Financial Officer
June 8, 2011

EXHIBIT 32.1

Section 1350 Certification of the Chief Executive Officer

I, Constantine S. Macricostas, Chief Executive Officer of Photronics, Inc. (the "Company"), certify, to my knowledge, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) the Quarterly Report on Form 10-Q of the Company for the quarter ended May 1, 2011 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

The foregoing certification is being furnished pursuant to 18 U.S.C. § 1350 and will not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference."

/s/ CONSTANTINE S. MACRICOSTAS

Constantine S. Macricostas
Chief Executive Officer
June 8, 2011

EXHIBIT 32.2

Section 1350 Certification of the Chief Financial Officer

I, Sean T. Smith, Chief Financial Officer of Photronics, Inc. (the "Company"), certify, to my knowledge, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) the Quarterly Report on Form 10-Q of the Company for the quarter ended May 1, 2011 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

The foregoing certification is being furnished pursuant to 18 U.S.C. § 1350 and will not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference."

/s/ SEAN T. SMITH
Sean T. Smith
Chief Financial Officer
June 8, 2011