

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

FORM 8-K

CURRENT REPORT
Pursuant To Section 13 Or 15(d) Of The Securities Exchange Act Of 1934



Date of report (Date of earliest event reported) May 18, 2010

PHOTRONICS, INC.

(Exact name of registrant as specified in its charter)

Connecticut

(State or other jurisdiction
of incorporation)

0-15451

(Commission
File Number)

06-0854886

(IRS Employer
Identification Number)

15 Secor Road, Brookfield, CT

(Address of Principal Executive Offices)

06804

(Zip Code)

Registrant's Telephone Number, including area code (203) 775-9000

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 **Results of Operations and Financial Condition**

On May 18, 2010, the Company issued a press release reporting second quarter fiscal 2010 results. A copy of the press release is attached to this 8-K.

Item 9.01 **Financial Statements and Exhibits**

(d) Exhibits

- 99.1 Press Release dated May 18, 2010
- 99.2 Reconciliation of GAAP to Pro Forma Financial Information
- 99.3 Condensed Consolidated Statements of Operations
- 99.4 Condensed Consolidated Balance Sheets
- 99.5 Condensed Consolidated Statements of Cash Flows

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 hereunto duly authorized.

PHOTRONICS, INC.

(Registrant)

DATE: May 19, 2010

BY /s/ *Richelle E. Burr*

Richelle E. Burr

Vice President, General Counsel

PHOTRONICS, INC.



FOR FURTHER INFORMATION:

Sean T. Smith

Senior Vice President

Chief Financial Officer

(203)775-9000

ssmith@photronics.com

Press Release

FOR IMMEDIATE RELEASE

May 18, 2010

PHOTRONICS REPORTS SECOND QUARTER FINANCIAL RESULTS

Second Quarter Highlights

- Sales of \$105.1 million exceed guidance of \$98 - \$103 million
- Non-GAAP earnings per share of \$0.09 exceed guidance of \$0.01 - \$0.05 per share
- High-end IC photomask sales increase 32% sequentially
- Net debt decreased by \$18 million sequentially
- Shanghai, China facility sold for net proceeds of \$12.9 million

BROOKFIELD, Connecticut May 18, 2010 -- Photronics, Inc. (NASDAQ:PLAB), a worldwide leader in supplying innovative imaging technology solutions for the global electronics industry, today reported fiscal 2010 second quarter results for the period ended May 2, 2010.

Sales for the second quarter were \$105.1 million, an increase of 26% compared to \$83.2 million for the second quarter of fiscal year 2009. Sales of semiconductor photomasks were \$84.0 million, or 80.0% of revenues, during the second quarter of fiscal 2010, and sales of flat panel display (FPD) photomasks were \$21.1 million, or 20.0% of revenues. GAAP net income attributable to Photronics, Inc. for the second quarter of fiscal year 2010 was \$7.9 million, or \$0.14 earnings per diluted share, compared to net loss attributable to Photronics, Inc. of \$10.1 million, or \$0.24 loss per share, for the second quarter of fiscal 2009.

Non-GAAP net income attributable to Photronics, Inc. for the second quarter of 2010 was \$4.7 million, or \$0.09 per diluted share, as compared to non-GAAP net loss attributable to Photronics, Inc. of \$8.7 million, or \$0.21 loss per share, for the second quarter of 2009. The section below entitled "*Non-GAAP Financial Measures*" provides a definition and information about the use of non-GAAP financial measures in this press release, and the attached financial supplement reconciles non-GAAP financial information with Photronics, Inc.'s financial results under GAAP.

Sales for the first six months of 2010 were \$203.3 million, an increase of 19% compared to \$171.3 million for the first half of fiscal 2009. Sales of semiconductor photomasks were \$158.5 million, or 78% of revenues for the first six months of 2010, and sales of FPD photomasks were \$44.8 million, or 22% of revenues. GAAP net income attributable to Photronics, Inc. for the first six months of fiscal 2010 was \$8.1 million, or \$0.15 earnings per diluted share, compared to the prior year's first six months net loss of \$20.3 million, or \$0.49 loss per share. Non-GAAP net income attributable to Photronics, Inc. for the first six months of fiscal 2010 was \$5.3 million, or \$0.10 earnings per diluted share, as compared to non-GAAP net loss attributable to Photronics, Inc. for the first six months of fiscal 2009 of \$17.6 million, or \$0.42 loss per share.

In the second quarter of fiscal 2010, Photronics completed the sale of its former integrated circuit manufacturing facility in Shanghai, China for net proceeds of \$12.9 million, and realized a net consolidation and restructuring gain of \$5.0 million during the quarter. The Company had previously announced the closure of the facility in July 2009.

Constantine (“Deno”) Macricostas, Photronics’ chairman and chief executive officer, commented, “We exceeded our guidance range for both sales and non-GAAP net income for the second quarter of fiscal 2010. Second quarter sales improved 7% from the sequential first quarter of fiscal 2010 as a result of increased demand for integrated circuit photomasks for both high-end and mainstream products. Our high-end IC growth of 161% in the second quarter of fiscal 2010 compared to the second quarter last year, and 32% sequentially, further validates our strategy to focus on this segment of the market. Improved volume leverage coupled with our disciplined cost management resulted in a significant sequential increase in non-GAAP net income from \$0.6 million to \$4.7 million. We are also pleased that as a result of our continued focus on cash management, the proceeds from the sale of the Shanghai, China facility and improved operations, our net debt decreased by \$18 million during the second quarter.”

Non-GAAP Financial Measures

Non-GAAP net income (loss) attributable to Photronics, Inc. and non-GAAP earnings (loss) per share are “non-GAAP financial measures,” as such term is defined by the Securities and Exchange Commission, and may differ from non-GAAP financial measures used by other companies. Photronics, Inc. believes that non-GAAP net income (loss) attributable to Photronics, Inc. and non-GAAP earnings (loss) per share that exclude certain non-cash or non-recurring income or expense items are useful for analysts and investors to evaluate Photronics, Inc.’s future on-going performance because they enable a more meaningful comparison of Photronics, Inc.’s projected earnings and performance with its historical results from prior periods. These non-GAAP metrics, in particular non-GAAP net income (loss) attributable to Photronics, Inc. and non-GAAP earnings (loss) per share, are not intended to represent funds available for Photronics, Inc.’s discretionary use and are not intended to represent or be used as a substitute for operating income (loss), net income (loss) or cash flows from operations data as measured under GAAP. The items excluded from these non-GAAP metrics, but included in the calculation of their closest GAAP equivalent, are significant components of consolidated statements of operations and must be considered in performing a comprehensive assessment of overall financial performance. Non-GAAP financial information is adjusted for the following items:

- Consolidation and restructuring charges (credit) and impairment of long-lived assets are excluded because they are not a part of ongoing operations.
- Deferred financing fees write-off is excluded because it is not a part of ongoing operations and was not anticipated when establishing forecast guidance for Q2-10.
- Impact of financing expenses related to warrants are excluded because they do not affect cash earnings.

The presentation of this financial information should not be considered in isolation or as a substitute for the financial information prepared and presented in accordance with generally accepted accounting principles in the United States. The attached financial supplement reconciles non-GAAP financial information with Photronics, Inc.'s financial results under GAAP.

A conference call with investors and the media to discuss these results is scheduled for 8:30 a.m. Eastern time on Wednesday, May 19, 2010. The live dial-in number is 913-312-1450. The call can also be accessed by logging onto Photronics' web site at www.photronics.com.

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Photronics is a leading worldwide manufacturer of photomasks. Photomasks are high precision quartz plates that contain microscopic images of electronic circuits. A key element in the manufacture of semiconductors and flat panel displays, photomasks are used to transfer circuit patterns onto semiconductor wafers and flat panel substrates during the fabrication of integrated circuits, a variety of flat panel displays and, to a lesser extent, other types of electrical and optical components. They are produced in accordance with product designs provided by customers at strategically located manufacturing facilities in Asia, Europe, and North America. Additional information on the Company can be accessed at www.photronics.com.

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements made by or on behalf of Photronics, Inc. and its subsidiaries (the Company). The forward-looking statements contained in this press release and other parts of Photronics' web site involve risks and uncertainties that may affect the Company's operations, markets, products, services, prices, and other factors as discussed in filings with the U. S. Securities and Exchange Commission (SEC). These risks and uncertainties include, but are not limited to, economic, competitive, legal, governmental, and technological factors. Accordingly, there is no assurance that the Company's expectations will be realized. The Company assumes no obligation to provide revisions to any forward-looking statements.

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PHOTRONICS, INC. AND SUBSIDIARIES
Reconciliation of GAAP to Non-GAAP Financial Information
(in thousands, except per share data)
(Unaudited)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>May 2, 2010</u>	<u>May 3, 2009</u>	<u>May 2, 2010</u>	<u>May 3, 2009</u>
Reconciliation of GAAP to Non-GAAP Net Income (Loss)				
Attributable to Photronics, Inc.				
GAAP net income (loss) attributable to Photronics, Inc.	\$ 7,873	\$ (10,072)	\$ 8,086	\$ (20,305)
(a) Consolidation and restructuring charges (credit), and impairment of long-lived assets, net of tax	(5,029)	1,342	(4,836)	2,677
(b) Impact of warrants, net of tax	860	-	1,080	-
(c) Deferred financing fees write off, net of tax	1,011	-	1,011	-
Non-GAAP net income (loss) attributable to Photronics, Inc.	<u>\$ 4,715</u>	<u>\$ (8,730)</u>	<u>\$ 5,341</u>	<u>\$ (17,628)</u>
Weighted average number of diluted shares outstanding:				
GAAP	65,780	41,775	54,291	41,749
Non-GAAP	<u>54,469</u>	<u>41,775</u>	<u>54,291</u>	<u>41,749</u>
Earnings (loss) per diluted share:				
GAAP	\$ 0.14	\$ (0.24)	\$ 0.15	\$ (0.49)
Non-GAAP	<u>\$ 0.09</u>	<u>\$ (0.21)</u>	<u>\$ 0.10</u>	<u>\$ (0.42)</u>

(a) Includes charges (credit) related to restructurings in China and United Kingdom and impairment of long-lived assets in the United Kingdom.

(b) Represents financing expenses related to warrants, which are recorded in other income (expense).

(c) As a result of an amendment to the revolving credit facility, represents write-off of deferred financing fees recorded in interest expense.

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

	Three Months Ended		Six Months Ended	
	May 2, 2010	May 3, 2009	May 2, 2010	May 3, 2009
Net sales	\$ 105,070	\$ 83,232	\$ 203,267	\$ 171,275
Costs and expenses:				
Cost of sales	(82,980)	(71,792)	(163,000)	(149,275)
Selling, general and administrative	(10,870)	(10,630)	(21,018)	(21,032)
Research and development	(3,601)	(4,177)	(7,556)	(7,801)
Consolidation, restructuring and related (charges) credit	5,029	(406)	4,836	(2,086)
Impairment of long-lived assets	-	(1,458)	-	(1,458)
Operating income (loss)	12,648	(5,231)	16,529	(10,377)
Other expense, net	(2,183)	(5,001)	(4,636)	(8,625)
Income (loss) before income taxes	10,465	(10,232)	11,893	(19,002)
Income tax (provision) benefit	(1,860)	76	(2,880)	(1,122)
Net income (loss)	8,605	(10,156)	9,013	(20,124)
Net (income) loss attributable to noncontrolling interests	(732)	84	(927)	(181)
Net income (loss) attributable to Photronics, Inc.	<u>\$ 7,873</u>	<u>\$ (10,072)</u>	<u>\$ 8,086</u>	<u>\$ (20,305)</u>
Earnings (loss) per share:				
Basic	\$ 0.15	\$ (0.24)	\$ 0.15	\$ (0.49)
Diluted	\$ 0.14	\$ (0.24)	\$ 0.15	\$ (0.49)
Weighted average number of common shares outstanding:				
Basic	53,405	41,775	53,253	41,749
Diluted	<u>65,780</u>	<u>41,775</u>	<u>54,291</u>	<u>41,749</u>

PHOTRONICS, INC. AND SUBSIDIARIES**Condensed Consolidated Balance Sheets**

(in thousands)

(Unaudited)

	May 2, 2010	November 1, 2009
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 91,410	\$ 88,539
Accounts receivable	81,247	66,920
Inventories	15,861	14,826
Other current assets	9,912	9,712
Total current assets	198,430	179,997
Property, plant and equipment, net	360,108	347,889
Investment in joint venture	60,901	60,945
Intangible assets, net	50,794	55,054
Other assets	19,175	19,771
	<u>\$ 689,408</u>	<u>\$ 663,656</u>
<u>Liabilities and Equity</u>		
Current liabilities:		
Current portion of long-term borrowings	\$ 11,364	\$ 10,301
Accounts payable and accrued liabilities	94,017	80,154
Total current liabilities	105,381	90,455
Long-term borrowings	96,897	112,137
Deferred income taxes and other liabilities	10,961	11,368
Equity	476,169	449,696
	<u>\$ 689,408</u>	<u>\$ 663,656</u>

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

	Six Months Ended	
	May 2, 2010	May 3, 2009
Cash flows from operating activities:		
Net income (loss)	\$ 9,013	\$ (20,124)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	45,863	42,027
Consolidation, restructuring, and related charges (credit) and impairment of long-lived assets	(5,059)	3,544
Changes in assets and liabilities and other	(16,054)	902
Net cash provided by operating activities	33,763	26,349
Cash flows from investing activities:		
Purchases of property, plant and equipment	(31,003)	(20,375)
Proceeds from sale of facility	12,880	-
Increase in restricted cash	(1,250)	-
Distribution from joint venture	-	5,000
Proceeds from sales of investments and other	255	941
Net cash used in investing activities	(19,118)	(14,434)
Cash flows from financing activities:		
Repayments of long-term borrowings	(40,302)	(10,889)
Proceeds from long-term borrowings	26,622	-
Payments of deferred financing fees	(1,056)	(2,249)
Other	71	-
Net cash used in financing activities	(14,665)	(13,138)
Effect of exchange rate changes on cash	2,891	(1,052)
Net increase (decrease) in cash and cash equivalents	2,871	(2,275)
Cash and cash equivalents, beginning of period	88,539	83,763
Cash and cash equivalents, end of period	\$ 91,410	\$ 81,488
Supplemental disclosure of cash flow information:		
Change in accrual for purchases of property, plant and equipment	\$ 19,521	\$ (14,542)