



May 14, 2012

## Photronics Reports Strong Second Quarter Fiscal 2012 Results

- Quarterly sales of \$117.5 million (Guidance \$113 — \$118 million)
- High-end photomask sales increase sequentially by 14% for IC and by 25% for FPD
- GAAP and non-GAAP EPS of \$0.14 share
- Incremental gross margin of 83% on sequential revenue increase
- Operating margin improves by 270 bps sequentially to 11.3%
- EBITDA of \$36 million

BROOKFIELD, Conn.--(BUSINESS WIRE)-- Photronics, Inc. (NASDAQ: PLAB), a worldwide leader in supplying innovative imaging technology solutions for the global electronics industry, today reported financial results for the second quarter ended April 29, 2012.

Constantine ("Deno") Macricostas, Photronics' chairman and chief executive officer commented, "Our strong performance in the second quarter once again reflects the success of our high-end strategy and diligent focus on cost controls. We reported robust growth in both advanced IC and FPD product revenues. We leveraged this growth with our lean operating model to achieve higher-than-expected earnings for the quarter. We believe the results from our technology investments continue to produce meaningful market share gains and strengthen our customer relationships."

Sales for the second quarter of fiscal 2012 were \$117.5 million, up 5% compared with \$112.2 million in revenue reported for the first quarter of fiscal 2012. Sales for the second quarter of fiscal 2011 were \$133.1 million. Sales of semiconductor photomasks were \$89.1 million, or 76% of revenues, during the second quarter of fiscal 2012, and sales of flat panel display (FPD) photomasks were \$28.4 million, or 24% of revenues. GAAP net income attributable to Photronics, Inc. for the second quarter of fiscal 2012 was \$8.8 million, or \$0.14 per diluted share, compared with GAAP net loss attributable to Photronics, Inc. of \$16.4 million, or \$(0.30) per diluted share, for the second quarter of fiscal 2011.

Non-GAAP net income attributable to Photronics, Inc. for the second quarter of 2012, excluding restructuring charges of \$0.1 million, was \$8.9 million, or \$0.14 earnings per diluted share. Non-GAAP net income attributable to Photronics, Inc. for the second quarter of 2011, excluding debt extinguishment losses of \$30.5 million, was \$14.8 million, or \$0.24 earnings per diluted share. 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 2012 decreased 10% to \$229.6 million from \$253.9 million for the first six months of fiscal 2011. Sales of semiconductor photomasks were \$175.9 million, or 77% of revenues for the first six months of 2012, and sales of FPD photomasks were \$53.7 million, or 23% of revenues. GAAP net income attributable to Photronics, Inc. for the first six months of fiscal 2012 was \$13.1 million, or \$0.21 per diluted share, compared with net loss of \$4.3 million, or \$(0.08) per share in the first six months of the prior year. Non-GAAP net income attributable to Photronics, Inc. for the first six months of fiscal 2012, which excludes \$1.2 million of restructuring charges and a \$0.1 million gain relating to warrants, was \$14.2 million, or \$0.23 per diluted share. Non-GAAP net income attributable to Photronics, Inc. for the first six months of fiscal 2011, which excludes \$30.5 million of debt extinguishment losses, was \$27.0 million, or \$0.44 per diluted share.

### 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 of 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 the 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 in fiscal 2012 are excluded because they are not a part of ongoing operations.
- Impact of financing expenses related to warrants is excluded because it does not affect cash earnings.
- Loss on extinguishment of debt is excluded in fiscal 2011 because it is not a part of ongoing operations and was not anticipated when establishing forecast guidance for the second quarter of fiscal 2011.

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 accounting principles generally accepted 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 Tuesday, May 15, 2012. The call can be accessed by logging onto Photronics' web site at [www.photronics.com](http://www.photronics.com). The live dial-in number is 408-774-4601. The call will be archived for instant replay access until the Company reports its fiscal 2012 third quarter results.

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[Photronics](http://www.photronics.com) is a leading worldwide manufacturer of [photomasks](http://www.photronics.com). 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](http://www.photronics.com) in Asia, Europe, and North America. Additional information on the Company can be accessed at [www.photronics.com](http://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. 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. For a fuller discussion of the factors that may affect the Company's operations, see "Forward Looking Statements" in the Company's Quarterly and Annual Reports to the Securities and Exchange Commission on Forms 10-Q and 10-K. 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)  
(Unaudited)

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>April 29, 2012</b>	<b>May 1, 2011</b>	<b>April 29, 2012</b>	<b>May 1, 2011</b>
<b><u>Reconciliation of GAAP to Non-GAAP Net Income (Loss) Attributable to Photronics, Inc.</u></b>				
GAAP net income (loss) attributable to Photronics, Inc.	\$ 8,818	\$ (16,438)	\$ 13,086	\$ (4,327)
(a) Debt extinguishment loss and net interest impact, net of tax	-	30,513	-	30,513
(b) Consolidation and restructuring charges, net of tax	58	-	1,176	-

(c) Impact of warrants, net of tax	-	745	(94)	820
Non-GAAP net income attributable to Photronics, Inc.	<u>\$ 8,876</u>	<u>\$ 14,820</u>	<u>\$ 14,168</u>	<u>\$ 27,006</u>

**Reconciliation of GAAP to Non-GAAP Net Income (Loss)**  
**Applicable to Common Shareholders**

Weighted average number of diluted shares outstanding

GAAP	<u>76,590</u>	<u>55,685</u>	<u>76,472</u>	<u>54,751</u>
(d) Non-GAAP	<u>76,590</u>	<u>67,047</u>	<u>76,435</u>	<u>66,634</u>

Net income (loss) per diluted share

GAAP	<u>\$ 0.14</u>	<u>\$ (0.30)</u>	<u>\$ 0.21</u>	<u>\$ (0.08)</u>
Non-GAAP	<u>\$ 0.14</u>	<u>\$ 0.24</u>	<u>\$ 0.23</u>	<u>\$ 0.44</u>

(a) Represents 2011 extinguishment charge related to the repurchase of \$30.4 million of our 5.50% convertible senior notes due in October 2014, and net interest impact on convertible transactions.

(b) Represents consolidation and restructuring charges primarily related to restructuring in Singapore.

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

(d) Excludes the 2011 impact of shares issued on March 29, 2011 (1.7 million shares during the three months ended May 1, 2011 and 0.8 million shares during the six months ended May 1, 2011), primarily related to the issuance of common stock in exchange for \$30.4 million of our 5.5% convertible senior notes due in October 2014.

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

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>April 29,</u> <u>2012</u>	<u>May 1,</u> <u>2011</u>	<u>April 29,</u> <u>2012</u>	<u>May 1,</u> <u>2011</u>
Net sales	\$ 117,451	\$ 133,103	\$ 229,605	\$ 253,926
Costs and expenses:				
Cost of sales	(87,590)	(96,617)	(174,286)	(186,845)
Selling, general and administrative	(12,201)	(11,448)	(23,526)	(22,162)
Research and development	(4,441)	(3,940)	(8,885)	(7,711)
Consolidation, restructuring and related charges	<u>(58)</u>	<u>-</u>	<u>(1,176)</u>	<u>-</u>
Operating income	13,161	21,098	21,732	37,208
Debt extinguishment loss	-	(30,286)	-	(30,286)

Other expense, net	<u>(968)</u>	<u>(2,585)</u>	<u>(1,377)</u>	<u>(1,629)</u>
Income (loss) before income taxes	12,193	(11,773)	20,355	5,293
Income tax provision	<u>(2,663)</u>	<u>(3,260)</u>	<u>(5,984)</u>	<u>(6,742)</u>
Net income (loss)	9,530	(15,033)	14,371	(1,449)
Net income attributable to noncontrolling interests	<u>(712)</u>	<u>(1,405)</u>	<u>(1,285)</u>	<u>(2,878)</u>
Net income (loss) attributable to Photronics, Inc.	<u>\$ 8,818</u>	<u>\$ (16,438)</u>	<u>\$ 13,086</u>	<u>\$ (4,327)</u>
Earnings (loss) per share:				
Basic	<u>\$ 0.15</u>	<u>\$ (0.30)</u>	<u>\$ 0.22</u>	<u>\$ (0.08)</u>
Diluted	<u>\$ 0.14</u>	<u>\$ (0.30)</u>	<u>\$ 0.21</u>	<u>\$ (0.08)</u>
Weighted average number of common shares outstanding:				
Basic	<u>60,086</u>	<u>55,685</u>	<u>59,952</u>	<u>54,751</u>
Diluted	<u>76,590</u>	<u>55,685</u>	<u>76,472</u>	<u>54,751</u>

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

(in thousands)  
(Unaudited)

**April 29,    October 30,**  
**2012            2011**

**Assets**

Current assets:

Cash and cash equivalents	\$191,960	\$ 189,928
Accounts receivable	89,123	85,540
Inventories	20,453	22,100
Other current assets	<u>8,359</u>	<u>7,639</u>
Total current assets	309,895	305,207
Property, plant and equipment, net	382,800	368,680
Investment in joint venture	85,831	79,984
Intangible assets, net	39,918	42,462
Other assets	<u>20,803</u>	<u>21,521</u>
	<u>\$839,247</u>	<u>\$ 817,854</u>

**Liabilities and Equity**

Current liabilities:

Current portion of long-term borrowings	\$ 7,874	\$ 5,583
Accounts payable and accrued liabilities	<u>81,394</u>	<u>90,318</u>
Total current liabilities	89,268	95,901

Long-term borrowings	172,312	152,577
Other liabilities	8,789	9,620
Equity	<u>568,878</u>	<u>559,756</u>
	<u>\$839,247</u>	<u>\$ 817,854</u>

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

	<u>Six Months Ended</u>	
	<u>April 29,</u>	<u>May 1,</u>
	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Net income (loss)	\$ 14,371	\$ (1,449)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	44,135	46,467
Consolidation, restructuring, and related charges	262	-
Debt extinguishment loss	-	23,504
Changes in assets and liabilities and other	<u>3,631</u>	<u>(4,532)</u>
Net cash provided by operating activities	<u>62,399</u>	<u>63,990</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(67,626)	(39,254)
Investment in joint venture	(5,899)	(8,498)
Other	<u>(1,600)</u>	<u>(250)</u>
Net cash used in investing activities	<u>(75,125)</u>	<u>(48,002)</u>
Cash flows from financing activities:		
Proceeds from long-term borrowings	25,000	17,000
Proceeds from issuance of convertible debt	-	115,000
Repayments of long-term borrowings	(2,343)	(60,303)
Payments of deferred financing fees	(198)	(4,145)
Repurchase of common stock by subsidiary	(7,577)	(3,294)
Proceeds from exercise of share-based arrangements	<u>431</u>	<u>356</u>
Net cash provided by financing activities	<u>15,313</u>	<u>64,614</u>
Effect of exchange rate changes on cash	<u>(555)</u>	<u>6,565</u>
Net increase in cash and cash equivalents	2,032	87,167
Cash and cash equivalents, beginning of period	<u>189,928</u>	<u>98,945</u>
Cash and cash equivalents, end of period	<u>\$191,960</u>	<u>\$186,112</u>

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