SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended ....February 1, 1998....

OR

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

For the transition period from................ to ....

Commission file 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)	(I.R.S. Employer Identification No.)

......1061 East Indiantown Road, Jupiter, FL......	..33477..
(Address of principal executive offices)	(Zip Code)

...(561) 745-1222...
(Registrant's telephone number, including area code)

....
(Former name, former address and former 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 period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ..X.. No .....

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 February 1, 1998
Common Stock, $.01 par value	24,314,790 Shares

PHOTRONICS, INC.
AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

PHOTRONICS, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheet

(dollars in thousands)

ASSETS

	February 1, 1998 (Unaudited)	November 2, 1997
Current assets:		
Cash, cash equivalents and short-term investments	$ 36,475	$ 86,034
Accounts receivable (less allowance for doubtful accounts of $235 in 1998 and 1997)	33,294	34,563
Inventories	12,795	11,302
Other current assets	8,934	7,038
Total current assets	91,498	138,937
Property, plant and equipment (less accumulated depreciation of $78,277 in 1998 and $71,900 in 1997)	219,853	203,813
Intangible assets (less accumulated amortization of $4,381 in 1998 and $4,048 in 1997)	21,687	8,218
Investments and other assets	13,630	14,244
	$346,668	$365,212

See accompanying notes to consolidated financial statements.

PHOTRONICS, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheet
(dollars in thousands, except per share amounts)
LIABILITIES AND SHAREHOLDERS' EQUITY

	February 1, 1998	November 2, 1997
	(Unaudited)	
Current liabilities:		
Current portion of long-term debt	$ 262	$ 272
Accounts payable	21,104	34,173
Income taxes payable	2,686	3,454
Accrued salaries and wages	4,792	7,423
Other accrued liabilities	7,610	12,217
Total current liabilities	36,454	57,539
Long-term debt	106,127	106,194
Deferred income taxes and other liabilities	15,648	15,504
Total liabilities	158,229	179,237
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, $0.01 par value, 2,000,000 shares authorized, none issued and outstanding	-	-
Common stock, $0.01 par value, 75,000,000 shares authorized, 24,314,790 shares issued in 1998 and 24,300,970 shares in 1997	243	243
Additional paid-in capital	85,303	85,129
Retained earnings	105,889	99,609
Unrealized gains on investments	2,900	3,251
Cumulative foreign currency translation adjustment	(5,691)	(2,008)
Deferred compensation on restricted stock	(205)	(249)
Total shareholders' equity	188,439	185,975
	$346,668	$365,212

See accompanying notes to consolidated financial statements.

PHOTRONICS, INC. AND SUBSIDIARIES

Condensed Consolidated Statement of Earnings

(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended	
	February 1, 1998	February 2, 1997
Net sales	$50,932	$40,029
Costs and expenses:		
Cost of sales	31,266	25,347
Selling, general and administrative	6,590	5,035
Research and development	2,933	2,302
Operating income	10,143	7,345
Other income (expense), net	(63)	1,280
Income before income taxes	10,080	8,625
Provision for income taxes	3,800	3,300
Net income	$ 6,280	$ 5,325
Earnings per share-basic	$0.26	$0.22
Earnings per share-diluted	$0.25	$0.22
Weighted average number of common shares outstanding - basic	24,302	23,676
Weighted average number of common shares outstanding - diluted	28,987	24,705

See accompanying notes to consolidated financial statements.

PHOTRONICS, INC. AND SUBSIDIARIES

Condensed Consolidated Statement of Cash Flows
(in thousands)
(Unaudited)

	Three Months Ended	
	February 1, 1998	February 2, 1997
Cash flows from operating activities:		
Net income	$ 6,280	$ 5,325
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	7,045	4,490
Gain on sale of investments	(632)	(1,060)
Other	210	212
Changes in assets and liabilities, net of effects of acquisitions:		
Accounts receivable	803	(717)
Inventories	(1,195)	(1,110)
Other current assets	(1,907)	(617)
Accounts payable and other liabilities	(20,295)	(6,218)
Net cash provided by (used in) operating activities	(9,691)	305
Cash flows from investing activities:		
Acquisition of photomask operations	(32,455)	-
Deposits on and purchases of property, plant and equipment	(7,764)	(15,730)
Net change in short-term investments	18,953	2,814
Proceeds from sale of investments	699	1,369
Other	140	70
Net cash used in investing activities	(20,427)	(11,477)
Cash flows from financing activities:		
Repayment of long-term debt	(67)	(9)
Proceeds from issuance of common stock	175	251
Net cash provided by financing activities	108	242
Effect of exchange rate changes on cash flows	(596)	-
Net decrease in cash and cash equivalents	(30,606)	(10,930)
Cash and cash equivalents at beginning of period	57,845	18,766
Cash and cash equivalents at end of period	$27,239	$ 7,836
Cash paid during the period for:		
Interest	$3,146	$ 7
Income taxes	$4,412	$155

See accompanying notes to consolidated financial statements.

PHOTRONICS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

Three Months Ended February 1, 1998 and February 2, 1997
(Unaudited)

NOTE 1 - BASIS OF FINANCIAL STATEMENT PRESENTATION

The consolidated financial statements of the Company included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission and, in the opinion of management, reflect all adjustments which are necessary to present fairly the results for the three-month periods ended February 1, 1998 and February 2, 1997. Interim financial data presented herein are unaudited. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations; however, management believes that the disclosures are adequate to make the information presented not misleading. This report should be read in conjunction with the consolidated financial statements and footnotes as of November 2, 1997, which give a complete discussion of these matters.

NOTE 2 - EARNINGS PER SHARE

In the first quarter of fiscal 1998, the Company adopted Statement of Financial Accounting Standards No. 128 ("SFAS 128"), "Earnings per Share", which establishes new standards for the computation and disclosure of earnings per share ("EPS"). The new statement requires dual presentation of "basic" EPS and "diluted" EPS. Basic EPS is based on the weighted average number of common shares outstanding for the period, excluding any dilutive common share equivalents. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted.

A reconciliation of basic and diluted EPS for the three months ended February 1, 1998 and February 2, 1997 is as follows (in thousands, except per share amounts):

	Net Income	Average Shares Outstanding	Earnings Per Share
1998:			
Basic	$6,280	24,302	$0.26
Effect of potential dilution from exercise of stock options and conversion of notes	1,037	4,685	
Diluted	$7,317	28,987	$0.25

	Net Income	Average Shares Outstanding	Earnings Per Share
1997:			
Basic	$5,325	23,676	$0.22
Effect of potential dilution from exercise of stock options	-	1,029	
Diluted	$5,325	24,705	$0.22

All common share and per share data have been restated to give effect to the 2-for-1 stock split of the Company's common stock paid to shareholders of record on November 17, 1997.

NOTE 3 - ACQUISITION OF MOTOROLA'S PHOTOMASK OPERATIONS

In December 1997, the Company acquired the internal photomask manufacturing operations of Motorola, Inc. ("Motorola") in Mesa, Arizona for $29.1 million in cash. The assets acquired included modern manufacturing systems capable of supporting a wide range of photomask technologies. Additionally, the Company entered into a multi-year supply agreement whereby it will supply the photomask requirements previously provided by Motorola's internal operations. The acquisition was accounted for as a purchase and, accordingly, the acquisition price was allocated to property, plant and equipment as well as certain intangible assets based on relative fair value. The excess of purchase price over the fair value of assets acquired is being amortized over fifteen (15) years. The Condensed Consolidated Statement of Earnings includes the results of the former Motorola photomask operations from December 31, 1997, the effective date of the acquisition.

NOTE 4 - SUBSEQUENT EVENT

On March 13, 1998, the Company announced plans to optimize its North American manufacturing network by re-organizing its two California operations. The Company will dedicate its Milpitas facility to the production of high-end technology photomasks and dedicate its Sunnyvale facility to the production of mature technology photomasks. In addition, the Company announced its plans to consolidate its Colorado Springs, Colorado photomask manufacturing operations into its other North American manufacturing facilities. The Colorado Springs consolidation was precipitated primarily by the Company's acquisition of an additional operation in Mesa, Arizona in connection with the Motorola transaction (see Note 3). The Company also intends to sell its Large Area Mask (LAM) Division. The Company has determined that the LAM business, which is also located in Colorado Springs, does not represent a long-term strategic fit with its core photomask business. The Company will continue to maintain a sales office, photomask design center and re-certification operation in Colorado Springs.

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition

Material Changes in Results of Operations
Three Months ended February 1, 1998 versus February 2, 1997

A significant portion of the changes in Photronics, Inc. ("Photronics") results of operations for the three months ended February 1, 1998, as compared to the same period during last fiscal year was attributable to expansion of international operations in Europe and Asia. Revenues and costs also have been affected by the increased demand for higher technology photomasks which require more advanced manufacturing capabilities and generally command higher average selling prices. To meet this demand and position the Company for future growth, the Company continues to make substantial investments in high-end manufacturing technology and capacity both at existing and new facilities. In addition, on December 31, 1997, the Company acquired the internal photomask manufacturing operations of Motorola, Inc. in Mesa, Arizona. The Motorola acquisition did not have a material effect on the results of operations for the first quarter of 1998.

Net sales for the three months ended February 1, 1998, increased 27.2% to $50.9 million compared with $40.0 million for the three months ended February 2, 1997. Approximately one-half of the increase came from manufacturing operations outside of the United States. As a result of the Company's globalization, revenues from foreign operations increased to 17.0% in the first quarter of 1998, compared with 8.8% in the first quarter of 1997. The remaining portion of the growth resulted principally from increased shipments to customers from existing facilities due to stronger high-end product demand and the availability of greater advanced manufacturing capability, reflecting the implementation of the Company's capacity expansion program.

Cost of sales for the three months ended February 1, 1998, increased 23.4% to $31.3 million, compared with $25.3 million for the same period in the prior fiscal year. Gross margins increased to 38.6% of sales in the first quarter of fiscal 1998, compared with 36.7% for the first quarter of 1997. Favorable margins resulted from higher capacity utilization and a more favorable mix of higher-end products in the U.S. and Asia. Such increases were partially offset by the cost of the Company's expanded manufacturing base, which was still in the process of ramping-up to higher levels of utilization, especially in Europe. In addition, margins were lower at the Company's Beta Squared subsidiary.

Selling, general and administrative expenses increased 30.9% to $6.6 million for the three months ended February 1, 1998, compared with $5.0 million for the same period in the prior fiscal year. As a percentage of net sales, selling, general and administrative expenses increased to 12.9% for the three months ended February 1, 1998, compared with 12.6% for the same period in the prior fiscal year. The higher expenses were due principally to staffing and other costs associated with the Company's growth, both domestically and internationally.

Research and development expenses for the three months ended February 1, 1998, increased 27.4% to $2.9 million, compared with $2.3 million for the same period in the prior fiscal year. This increase reflects the continuing development efforts on high-end, more complex photomasks such as phase shift, optical proximity correction and deep ultra-violet technologies which represent a fast growing segment of the photomask market, as well as Beta Squared's development of PLASMAX. As a percentage of net sales, research and development remained at 5.8% for the three months ended February 1, 1998 and February 2, 1997.

Net other expenses of approximately $0.1 million in the first quarter of 1998 was comprised principally of interest expense on the convertible notes issued in the third quarter of 1997, offset by interest and other income earned on investments, including a gain on the sale of investment securities of $0.6 million. This compares to $1.3 million of net interest and other income in the first quarter of 1997, which included a gain of $1.1 million on the sale of investment securities.

Net income for the three months ended February 1, 1998, increased 17.9% to $6.3 million, or $0.26 per basic share and $0.25 per share on a diluted basis, compared with $5.3 million or $0.22 per share on both a basic and diluted basis, for the corresponding prior year period. Net income in the first quarter of 1997 included $0.7 million, or $0.02 per share, from the gain on the sale of investment securities. The weighted average number of basic common shares outstanding increased to 24.3 million for the three months ended February 1, 1998, from 23.7 million for the same period last year, principally as a result of the issuance of shares in connection with employee stock option exercises since the first quarter of 1997. The weighted average number of common shares outstanding on a diluted basis increased to 29.0 million in the first quarter of 1998, from 24.7 million in the first quarter of 1997, principally as a result of the issuance of convertible notes. All the shares outstanding and per share amounts reflect the two-for-one stock split effected in December, 1997.

Liquidity and Capital Resources

Photronics' cash and short-term investments decreased $49.6 million during the three months ended February 1, 1998, largely as a result of the acquisition of Motorola's photomask operations in Mesa, Arizona, together with capital expenditures for equipment and facilities in connection with Photronics' expansion of manufacturing capacity, aggregating $40 million.

Accounts receivable decreased slightly from November 2, 1997 as a result of seasonally slower order activity compared with the fourth quarter of 1997. Inventory increased $1.5 million or 13.2% primarily due to the new Austin and Mesa locations. Other current assets increased $1.9 million primarily as a result of increases in prepaid insurance and other expenses at the beginning of the calendar year.

Property, plant and equipment increased to $219.9 million at February 1, 1998, from $203.8 million at November 2, 1997, as a result of the acquisition of Motorola's photomask assets, as well as continued expansion of Photronics' existing manufacturing capacity. These increases were offset by normal depreciation expense of $6.7 million.

Intangible and other assets increased $12.9 million during the quarter ended February 1, 1998, principally due to the Motorola acquisition.

Accounts payable and accruals decreased 36.8% or $21.1 million from November 2, 1997, principally due to the payments for high year-end accruals in connection with the substantial completion of construction in Austin, Texas and in Manchester, U.K., and acceptance of a significant amount of new capital equipment at the end of last year. In addition, accrued salaries and wages decreased from November 2, 1997 largely as a result of payments of fiscal 1997 incentive compensation.

Photronics' commitments represent investments in additional manufacturing capacity as well as advanced equipment for research and development of the next generation of high-end, more complex photomasks. At February 1, 1998, Photronics had commitments outstanding for capital expenditures of approximately $75 million. Additional commitments for facilities under construction and other capital requirements are expected to be incurred in fiscal 1998. Photronics will continue to use its working capital, bank lines of credit and leasing arrangements to finance its capital expenditures. Photronics believes that its currently available resources, together with its capacity for substantial growth and its access to other debt and equity financing sources, are sufficient to satisfy its currently planned capital expenditures, as well as its anticipated working capital requirements for the foreseeable future.

Subsequent Event

On March 13, 1998, the Company announced plans to optimize its North American manufacturing network by re-organizing its two California operations. The Company will dedicate its Milpitas facility to the production of high-end technology photomasks and dedicate its Sunnyvale facility to the production of mature technology photomasks. In addition, the Company announced its plans to consolidate its Colorado Springs, Colorado photomask manufacturing operations into its other North American manufacturing facilities. The Colorado Springs consolidation was precipitated primarily by the Company's acquisition of an additional operation in Mesa, Arizona in connection with the Motorola transaction. The Company also intends to sell its Large Area Mask (LAM) Division. The Company has determined that the LAM business, which is also located in Colorado Springs, does not represent a long-term strategic fit with its core photomask business. The Company will continue to maintain a sales office, photomask design center and re-certification operation in Colorado Springs. The Company expects to record a one-time pre-tax charge for the restructuring plan and sale of the LAM product line of approximately $3 million to $4 million, or $0.06 to $0.08 per share on a diluted basis, in the fiscal second quarter, which ends on May 3, 1998.

Effect of New Accounting Standards

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income", and SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information." Both of these statements establish new standards for financial statement reporting and disclosure of certain information effective for the Company in fiscal 1999. Neither of the new statements is expected to have a material impact on the Company's current financial reporting.

Year 2000 Costs

The Company is currently implementing new worldwide computerized manufacturing and information systems which will be completed in 1998. Such systems have the ability to process transactions with dates for the year 2000 and beyond at no incremental cost and, accordingly, "Year 2000" issues are not expected to have any material impact on the Company's future financial condition or results of operations.

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995

Except for historical information, the matters discussed above may be considered forward-looking statements and may be subject to certain risks and uncertainties that could cause the actual results to differ materially from those projected, including uncertainties in the market, pricing, competition, procurement and manufacturing efficiencies, and other risks.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports of Form 8-K

(a) Exhibits

27 Financial Data Schedule

(b) Reports on Form 8-K

During the quarter for which this report is filed, no reports on Form 8-K were filed by the Company.

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:______ROBERT J. BOLLO_________
Robert J. Bollo
Vice President/Finance
(Duly Authorized Officer and
Principal Financial Officer)

Date: March 13, 1998

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This schedule contains summary financial information extracted from the Condensed Consolidated Statement of Earnings and the Consolidated Balance Sheet and is qualified in its entirety by reference to such financial statements.

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NOV-01-1998
FEB-01-1998
27,239
9,236
33,529
235
12,795
91,498
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