

**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) August 15, 2006

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))

Item 2.02. Results of Operations and Financial Condition

On August 15, 2006, the Company issued a press release reporting fiscal third quarter 2006 sales and earnings results for the period ended July 30, 2006. 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 August 15, 2006.
- 99.2 Slides #1 and #2 provided for conference call.

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 August 15, 2006

BY /s/ Sean T. Smith
Sean T. Smith
Senior Vice President and Chief Financial Officer

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Subject Matter</u>
99.1	Press Release dated August 15, 2006.
99.2	Slides #1 and #2 provided for conference call.



FOR FURTHER INFORMATION:
Michael W. McCarthy
Vice President – Corporate Communications
Photronics, Inc.
(203)775-9000
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Press Release

FOR IMMEDIATE RELEASE
Tuesday, August 15, 2006

PHOTRONICS ANNOUNCES THIRD QUARTER RESULTS

BROOKFIELD, Connecticut August 15, 2006 — Photronics, Inc. (Nasdaq:PLAB), a worldwide leader in supplying innovative imaging technology solutions for the global electronics industry, today reported fiscal 2006 third quarter and nine month results for the period ended July 30, 2006.

Sales for the quarter were \$108.2 million, down 5.9%, compared to \$114.9 million for the third quarter of 2005. Semiconductor photomasks accounted for \$87.2 million or 80.6% of revenues during the third quarter of fiscal 2006, while sales for flat panel display (FPD) photomask sets accounted for \$21.0 million or 19.4%. Net income for the third quarter of fiscal 2006 amounted to \$4.6 million, or \$0.11 per diluted share, compared to the prior year's third quarter net income of \$14.8 million, or \$0.35 per diluted share. Net income for the third quarter of 2006 included a charge of \$1.8 million after tax, or \$0.04 per diluted share in connection with the Company's previously disclosed restructuring of its operations in North America.

Sales for the first nine months of 2006 were \$339.6 million, up 3.2% from the \$329.0 million for the first nine months of fiscal 2005. Semiconductor photomasks accounted for \$264.5 million or 77.9% of revenues during the first nine months of fiscal 2006, while sales for FPD photomask sets accounted for \$75.1 million or 22.1%. Net income for the first nine months of fiscal 2006 amounted to \$19.5 million, or \$0.45 per diluted share, compared to the prior year's first nine months net income of \$29.9 million, or \$0.77 per diluted share.

— more —

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“As we stated during our conference call on August 1st, a market driven slowdown in our FPD business impacted our performance during the quarter. In the semiconductor business, our performance was largely in line with expectations across all three regions we serve, as the Photronics team continues to execute our strategic plan,” commented Michael J. Luttati, Chief Executive Officer. “We expect conditions in our FPD business to begin improving over the next several months and are already seeing signs of improvement. Furthermore, we were encouraged that even in this difficult environment, Photronics outperformed its competitors, gaining market share by leveraging our unique technology and service leadership advantage. It is this type of performance which illustrates how our global team has embraced the strategic priorities of profitable technology leadership; tighter global integration and market share leadership. We remain committed to achieving these goals.”

A conference call with investors and the media to discuss these results can be accessed by logging onto Photronics’ web site at www.photronics.com, then clicking on the “Conference Calls” button in the top right corner of the home page. The call is scheduled for 8:30 a.m. Eastern Time on Wednesday, August 16th and will be archived for instant replay access until the Company reports its fiscal fourth quarter results after the market closes on Tuesday, December 5, 2006. The live call dial-in number is (212)676-5290.

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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.

“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995: Certain statements in this release are considered “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All forward looking statements involve risks and uncertainties. In particular, any statement contained in this release regarding the consummation and benefits of future acquisitions, expectations with respect to the joint venture, the planned fabrication facility, future sales, financial performance, operating efficiencies and 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, performances or achievements. Factors that might affect such forward looking statements include, but are not limited to, overall economic and business conditions; the demand and receipt of orders for the Company’s products; competitive factors in the industries and geographic markets in which the Company competes; changes in federal, state and foreign tax requirements (including tax rate changes, new tax laws and revised tax law interpretations); the Company’s ability to place new equipment in service on a timely basis; interest rate fluctuations and other capital market conditions, including foreign currency rate fluctuations; economic and political conditions in international markets; the ability to obtain a new bank facility or other financings; the ability to achieve anticipated synergies and other cost savings in connection with acquisitions and productivity programs; uncertainties with respect to the integration and management of a new joint venture, delays in the construction and equipping of the planned fabrication facility, the ability to transfer licensed applications to other applications, the timing, impact and other uncertainties of future acquisitions and investments; the seasonal and cyclical nature of the semiconductor industry; the availability of capital; management changes; damage or destruction to our facilities by natural disasters, labor strikes, political unrest or terrorist activity; the ability to fully utilize its tools; the ability of the Company to receive desired yields, pricing, product mix, and market acceptance of its products; changes in technology; and other risks and uncertainties set forth in the Company’s SEC filings from time to time. Any forward-looking statements should be considered in light of these factors. The Company assumes no obligation to update the information in this release.

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

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>July 30 2006</u>	<u>July 31 2005</u>	<u>July 30 2006</u>	<u>July 31 2005</u>
Net sales	\$ 108,160	\$ 114,901	\$ 339,579	\$ 328,977
Costs and expenses:				
Cost of sales	75,256	75,350	228,685	218,990
Selling, general and administrative	15,524	13,762	46,438	40,001
Research and development	6,741	7,908	22,985	23,803
Consolidation, restructuring and related charges	1,790	—	13,216	—
Operating income	8,849	17,881	28,255	46,183
Other income (expense), net	(1,274)	1,953	4,292	(3,128)
Income before income taxes and minority interest	7,575	19,834	32,547	43,055
Income tax provision	1,692	3,596	9,324	8,048
Income before minority interest	5,883	16,238	23,223	35,007
Minority interest	(1,328)	(1,443)	(3,710)	(5,093)
Net income	<u>\$ 4,555</u>	<u>\$ 14,795</u>	<u>\$ 19,513</u>	<u>\$ 29,914</u>
Earnings per share:				
Basic	<u>\$ 0.11</u>	<u>\$ 0.42</u>	<u>\$ 0.47</u>	<u>\$ 0.89</u>
Diluted	<u>\$ 0.11</u>	<u>\$ 0.35</u>	<u>\$ 0.45</u>	<u>\$ 0.77</u>
Weighted average number of common shares outstanding:				
Basic	41,383	35,295	41,344	33,605
Diluted	41,735	45,269	51,036	43,320

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

(in thousands)

	July 30 2006	October 30 2005
Assets		
Current assets:		
Cash, cash equivalents and short-term investments of \$78,594 in 2006 and \$90,600 in 2005	\$ 163,833	\$ 286,649
Accounts receivable	80,265	70,006
Inventories	22,984	20,536
Other current assets	10,968	7,144
Total current assets	278,050	384,335
Property, plant and equipment, net	452,211	412,429
Goodwill	133,813	136,334
Investment in joint venture	65,505	—
Technology license and supply agreements	69,000	—
Other assets	20,156	12,631
	\$ 1,018,735	\$ 945,729
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of long-term debt	\$ 86,521	\$ 4,813
Accounts payable	46,503	42,923
Other accrued liabilities	47,348	36,042
Total current liabilities	180,372	83,778
Long-term debt	165,186	238,949
Deferred income taxes and other liabilities	25,844	15,310
Minority interest	44,782	45,817
Shareholders' equity	602,551	561,875
	\$ 1,018,735	\$ 945,729

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

	Nine Months Ended	
	July 30 2006	July 31 2005
Cash flows from operating activities:		
Net income	\$ 19,513	\$ 29,914
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	67,594	64,406
Restructuring and related charges	13,216	—
Changes in assets and liabilities and other	(20,425)	10,341
Net cash provided by operating activities	<u>79,898</u>	<u>104,661</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(83,441)	(89,122)
Purchases of short-term investments	(64,983)	(51,951)
Proceeds from sales of short-term investments and other	78,697	54,846
Investment in joint venture, technology and supply agreements	(120,505)	—
Acquisition of additional interest in PK Ltd.	(8,432)	(40,350)
Net cash used in investing activities	<u>(198,664)</u>	<u>(126,577)</u>
Cash flows from financing activities:		
Proceeds from (repayment of) long-term debt	7,493	(56,200)
Proceeds from issuance of common stock	1,172	169,556
Net cash provided by financing activities	<u>8,665</u>	<u>113,356</u>
Effect of exchange rate changes on cash flows	(709)	(349)
Net increase (decrease) in cash and cash equivalents	(110,810)	91,091
Cash and cash equivalents, beginning of period	196,049	142,300
Cash and cash equivalents, end of period	<u>\$ 85,239</u>	<u>\$ 233,391</u>
Supplemental disclosure of cash flow information:		
Change in accrual for purchases of property, plant and equipment	\$ 12,585	\$ (14,049)

Semiconductor & Flat Panel Display Revenue

(\$ in millions)

	Fiscal Year		9 Mos.
	<u>2004</u>	<u>2005</u>	<u>2006</u>
IC Revenue	\$360	\$362	\$265
FPD Revenue	<u>36</u>	<u>79</u>	<u>75</u>
Grand Total	<u>\$396</u>	<u>\$441</u>	<u>\$340</u>



Semiconductor & Flat Panel Display Revenue

(\$ in millions)

	Q1-FY06	Q2-FY06	Q3-FY06
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>
IC Revenue	\$ 86	\$ 91	\$ 87
FPD Revenue	<u>26</u>	<u>28</u>	<u>21</u>
Grand Total	<u>\$112</u>	<u>\$119</u>	<u>\$108</u>

Note:

- Q3 shortfall from initial guidance based on expected growth in FPD revenue over Q2 performance
- IC was in line with expectations

