SECURITES 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 January 31, 2001

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 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 / /

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 January 31, 2001
COMMON STOCK, $.01 PAR VALUE	29,806,189 SHARES

PHOTRONICS, INC.
AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM I. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PHOTRONICS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET
(IN THOUSANDS)

ASSETS

	JANUARY 31, 2001 (UNAUDITED)	OCTOBER 31, 2000
Current assets:		
Cash and cash equivalents	$ 34,671	$ 38,182
Accounts receivable (less allowance for doubtful accounts of $812 in 2001 and $881 in 2000)	72,752	64,019
Inventories	19,085	18,486
Other current assets	16,859	17,906
Total current assets	143,367	138,593
Property, plant and equipment (less accumulated depreciation of $246,945 in 2001 and $231,426 in 2000)	389,242	395,281
Intangible assets (less accumulated amortization of $10,491 in 2001 and $9,373 in 2000)	58,671	59,277
Investments and other assets	15,911	16,410
	$607,191	$609,561

See accompanying notes to condensed consolidated financial statements.

PHOTRONICS, INC. AND SUBISIDARIES

CONDENSED CONSOLIDATED BALANCE SHEET
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

LIABILITIES AND SHAREHOLDERS' EQUITY

	JANUARY 31, 2001 (UNAUDITED)	OCTOBER 31, 2000
Current liabilities:		
Current portion of long-term debt	$ 430	$ 849
Accounts payable	44,170	37,917
Accrued salaries and wages	5,424	5,264
Other accrued liabilities	11,943	7,539
Total current liabilities	61,967	51,569
Long-term debt	178,242	202,797
Deferred income taxes and other liabilities	34,686	34,089
Total liabilities	274,895	288,455
Minority interest	28,937	27,126
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, $0.01 par value, 2,000 shares authorized, none issued and outstanding	--	--
Common stock, $0.01 par value, 75,000 shares authorized, 29,806 shares issued and outstanding in 2001 and 29,688 issued and outstanding in 2000	298	297
Additional paid-in capital	137,647	136,445
Retained earnings	175,648	167,246
Accumulated other comprehensive loss	(10,169)	(9,877)
Deferred compensation on restricted stock	(65)	(131)
Total shareholders' equity	303,359	293,980
	$ 607,191	$ 609,561

See accompanying notes to condensed consolidated financial statements.

PHOTRONICS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF EARNINGS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

	THREE MONTHS ENDED	
	JANUARY 31, 2001	JANUARY 30, 2000
Net sales	$ 98,557	$ 72,585
Costs and expenses:		
Cost of sales	63,229	50,335
Selling, general and administrative	13,474	10,740
Research and development	5,856	4,813
Operating income	15,998	6,697
Other expense, net	(2,776)	(1,179)
Income before provision for income taxes and minority interest	13,222	5,518
Provision for income taxes	3,700	1,987
Income before minority interest	9,522	3,531
Minority interest in income of consolidated subsidiary	(1,120)	--
Net income	$ 8,402	$ 3,531
Earnings per share:		
Basic	$ 0.28	$ 0.13
Diluted	$ 0.28	$ 0.13
Weighted average number of common shares outstanding:		
Basic	29,714	27,875
Diluted	34,147	28,115

See accompanying notes to condensed consolidated financial statements.

PHOTRONICS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(IN THOUSANDS)

(UNAUDITED)

	THREE MONTHS ENDED JANUARY 31, 2001	THREE MONTHS ENDED JANUARY 30, 2000
Cash flows from operating activities:		
Net income	$ 8,402	$ 3,531
Adjustment to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	17,653	12,614
Other	704	(1,667)
Changes in assets and liabilities:		
Accounts receivable	(7,415)	(426)
Inventories	(437)	(1,384)
Other current assets	1,110	(856)
Accounts payable and accrued liabilities	10,760	(13,925)
Net cash provided by (used in) operating activities	30,777	(2,113)
Cash flows from investing activities:		
Deposits on and purchases of property, plant and equipment	(13,782)	(15,825)
Other	4,347	445
Net cash used in investing activities	(9,435)	(15,380)
Cash flows from financing activities:		
Repayment of long-term debt, net of proceeds	(24,987)	6,449
Proceeds from issuance of common stock	584	2,761
Net cash provided by (used in) financing activities	(24,403)	9,210
Effect of exchange rate changes on cash flows	(450)	(1,249)
Net decrease in cash and cash equivalents	(3,511)	(9,532)
Cash and cash equivalents at beginning of period	38,182	23,115
Adjustment related to Align-Rite's net cash flows from differences in fiscal reporting periods	--	(1,091)
Cash and cash equivalents at end of period	$ 34,671	$ 12,492
Cash paid during the period for:		
Interest	$ 4,581	$ 3,354
Income taxes	$ 155	$ 421

See accompanying notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED JANUARY 31, 2001 AND JANUARY 30, 2000
(UNAUDITED)

NOTE 1 - BASIS OF FINANCIAL STATEMENT PRESENTATION

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States 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 for complete 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 three months ended January 31, 2001 are not necessarily indicative of the results that may be expected for the year ending October 31, 2001. Certain amounts in the Condensed Consolidated Financial Statements for prior periods have been reclassified to conform to the current presentation. 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, 2000.

NOTE 2 - BUSINESS COMBINATIONS

ALIGN-RITE MERGER

On June 7, 2000, Photronics completed its merger with Align-Rite International, Inc. ("Align-Rite"), herein after collectively referred to as the Company. The merger constituted a tax-free reorganization and has been accounted for as a pooling-of-interests. The Condensed Consolidated Financial Statements for the three months ended January 31, 2001 and January 30, 2000 and the accompanying notes thereto reflect the Company's financial position, results of operations and cash flows as if Align-Rite had been a wholly-owned subsidiary of Photronics for all periods presented. The financial statement balances of Align-Rite have been reclassified to conform to Photronics' presentation.

ACQUISITION OF PSMC

During fiscal year 2000, the Company acquired a majority share of Precision Semiconductor Mask Corporation (PSMC), a photomask manufacturer based in Taiwan, for approximately $63.4 million. The acquisition was accounted for as a purchase. The operating results of PSMC have been included in the Condensed Consolidated Statement of Earnings since June 20, 2000. Had the acquisition of PSMC occurred at the beginning of fiscal 2000, the unaudited pro forma condensed consolidated net sales for the three months ended January 30, 2000 would have been $76.6 million and the pro forma net income and earnings per share for the three months ended January 30, 2000 would have been $1.8 million and $0.06, respectively. In management's opinion, these unaudited pro forma amounts are not necessarily indicative of what the actual combined results of operations might have been if the acquisition of PSMC had been effective at the beginning of the periods presented.

NOTE 3 - COMPREHENSIVE INCOME

The following table summarizes comprehensive income for the three months ended January 31, 2001 and January 30, 2000:

	JANUARY 31, 2001	JANUARY 30, 2000

Net income	$ 8,402	$ 3,531
Other comprehensive income (loss):		
Unrealized gains on investments	142	3,041
Foreign currency translation adjustments	(434)	(2,807)
	(292)	234
Comprehensive income	$ 8,110	$ 3,765

NOTE 4 - EARNINGS PER SHARE

Earnings per share ("EPS") amounts are calculated in accordance with the provisions of SFAS No. 128. 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 January 31, 2001 and January 30, 2000, respectively, is as follows (in thousands, except per share amounts):

	NET INCOME	AVERAGE SHARES OUTSTANDING	EARNINGS PER SHARE
2001:			
Basic	$8,402	29,714	$ 0.28
Effect of potential dilution from exercise of stock options and conversion of notes	1,077	4,433	
Diluted	$9,479	34,147	$ 0.28
2000:			
Basic	$3,531	27,875	$ 0.13
Effect of potential dilution from exercise of stock options (a)	--	240	
Diluted	$3,531	28,115	$ 0.13

(a) The effect of the conversion of notes for the three months ended January 30, 2000 is anti-dilutive.

NOTE 5 - RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." The new standard requires companies to record derivatives on the balance sheet as assets or liabilities, measured at fair value. Gains or losses resulting from changes in the values of those derivatives will be reported in the statement of earnings or as other comprehensive income (loss) as a separate component of shareholders' equity, depending on the use of the derivatives and whether they qualify for hedge accounting. The key criterion for hedge accounting is that the derivative must be highly effective in achieving offsetting changes in fair value or cash flows of the hedged items during the term of the hedge. The Company adopted SFAS No. 133, as amended by SFAS No. 138, in the first quarter of fiscal year 2001. This adoption did not have a material impact on the Company's financial statements.

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

OVERVIEW

On June 7, 2000, Photronics, Inc. ("Photronics" or the "Company"), completed its merger with Align-Rite International, Inc. ("Align-Rite), an independent publicly traded manufacturer of photomasks in the United States and Europe. The transaction was accounted for as a pooling-of-interests. The Condensed Consolidated Financial Statements, the accompanying notes and this management discussion and analysis have been restated to reflect the Company's financial position, results of operations and cash flows as if Align-Rite was a consolidated wholly-owned subsidiary of the Company for all periods presented.

During fiscal year 2000, the Company acquired a majority share of Precision Semiconductor Mask Corporation (PSMC), a photomask manufacturer based in Taiwan, for approximately $63.4 million. The acquisition was accounted for as a purchase. The operating results of PSMC have been included in the Condensed Consolidated Statement of Earnings since June 20, 2000.

MATERIAL CHANGES IN RESULTS OF OPERATIONS
THREE MONTHS ENDED JANUARY 31, 2001 VERSUS JANUARY 30, 2000

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

	Three Months Ended	
	January 31, 2001	January 30, 2000
Net sales	100.0%	100.0%
Cost of sales	64.2	69.4
Gross margin	35.8	30.6
Selling, general and administrative expenses	13.7	14.8
Research and development expenses	5.9	6.6
Operating income	16.2%	9.2%

Net sales for the three months ended January 31, 2001 increased 35.8% to $98.6 million compared with $72.6 million for the corresponding prior year period. In addition to the Company's new Taiwan operation, the increase resulted from an improved mix of high-end, higher priced products across all geographic regions, increased unit volume, and continued international expansion. International operations accounted for 32.7% of sales for the three months ended January 31, 2001 compared to 23.6% in the corresponding prior year period.

Gross margins for the three months ended January 31, 2001 increased to 35.8% compared to 30.6% for the corresponding prior year period. The increase in gross margins is attributable to a greater mix of high-end technology products and increased capacity utilization. The increase was partially offset by lower margins currently being experienced at the new Taiwan operation.

Selling, general and administrative expenses increased 25.5% to $13.5 million for the three months ended January 31, 2001, compared with $10.7 million for the same period in the prior fiscal year. As a percentage of net sales, selling, general and administrative expenses decreased to 13.7% compared to 14.8% for the same period in the prior fiscal year. The higher expenses in 2001 were due principally to costs associated with the Company's expansion, both domestically and internationally, including costs incurred in Taiwan, and growth of the Company's information technology infrastructure.

Research and development expenses for the three months ended January 31, 2001, increased 21.7% to $5.9 million compared with $4.8 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 next generation lithography applications. Research and development was 5.9% of net sales for the three months ended January 31, 2001, compared to 6.6% in the corresponding prior year period.

Net other expense of $2.8 million for the three months ended January 31, 2001 increased $1.6 million compared to the three months ended January 30, 2000. The increase is primarily attributable to increased interest costs associated with increased borrowings, principally for the PSMC acquisition, and higher effective borrowing rates.

Minority interest of $1.1 million for the three months ended January 31, 2001 reflects the minority interest in earnings of the Company's subsidiary in Taiwan.

Net income for the three months ended January 31, 2001, increased to $8.4 million or $0.28 per basic and diluted share. These amounts compare to $3.5 million, or $0.13 per basic and diluted share, for the corresponding prior year period.

LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital at January 31, 2001 was $81.4 million compared to $87.0 million at October 31, 2000. The decrease in working capital is due primarily to lower cash balances resulting from repayments of borrowings under the Company's unsecured revolving credit line, together with higher accounts payable balances. Cash and cash equivalents at January 31, 2001 were $34.7 million compared to $38.2 million at October 31, 2000. Cash provided by operating activities for the three months ended January 31, 2001 amounted to $30.8 million compared to cash used in operating activities of $2.1 million for the three months ended January 30, 2000. This increase is primarily attributable to higher income before depreciation and amortization charges and the net change in assets and liabilities principally due to the timing of progress payments for capital equipment coming due during the respective periods.

Cash used in investing activities of $9.4 million consisted principally of capital equipment purchases.

Cash flows used in financing activities of $24.4 million included net repayments of borrowings of $25.0 million partially offset by $0.6 million in proceeds from the exercise of employee stock options.

The Company is subject to compliance with and maintenance of certain financial covenants and ratios set forth in its unsecured revolving credit facility, as amended. The Company had $46.6 million of outstanding borrowings and $78.4 million available under the revolving credit facility at January 31, 2001.

Photronics' commitments represent investments in additional manufacturing capacity as well as advanced equipment for the production of high-end, more complex photomasks. As of March 1, 2001, Photronics had commitments outstanding for capital expenditures of approximately $70.0 million. Additional commitments for capital expenditures are expected to be incurred during fiscal 2001. Photronics will continue to use its working capital and bank lines of credit 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.

EFFECT OF NEW ACCOUNTING STANDARDS

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." The new standard requires companies to record derivatives on the balance sheet as assets or liabilities, measured at fair value. Gains or losses resulting from changes in the values of those derivatives will be reported in the statement of earnings or as other comprehensive income (loss) as a separate component of shareholders' equity, depending on the use of the derivatives and whether they qualify for hedge accounting. The key criterion for hedge accounting is that the derivative must be highly effective in achieving offsetting changes in fair value or cash flows of the hedged items during the term of the hedge. The Company adopted SFAS No. 133, as amended by SFAS No. 138, in the first quarter of fiscal year 2001. This adoption did not have a material impact on its financial statements.

In December 1999, the Securities and Exchange Commission (the "SEC") issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." SAB No. 101, as amended, is required to be adopted by the Company no later than the fourth fiscal quarter of fiscal 2001. The Company's adoption of SAB No. 101 is not expected to have a material impact on the Company's consolidated financial position or results of operations.

FORWARD LOOKING INFORMATION

Certain statements in this report 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. For a description of the factors that could cause the actual results of the Company to be materially different from those projected, please review the Company's SEC reports that detail these risks and uncertainties and the section captioned "Forward Looking Information" contained in the Company's Annual Report on Form 10-K for the year ended October 31, 2000. Any forward looking statements should be considered in light of these factors.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

See Exhibits Index.

(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: /s/ ROBERT J. BOLLO

Robert J. Bollo
Senior Vice President
Chief Financial Officer
(Duly Authorized Officer and
Principal Financial Officer)

DATE: MARCH 15, 2001