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 .........May 4, 1997.........

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 May 4, 1997 |
|---|---|
| Common Stock, $.01 par value | 11,874,640 Shares |

PHOTRONICS, INC.
AND SUBSIDIARIES

INDEX

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

PHOTRONICS, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheet

(dollars in thousands)

ASSETS

| | May 4, 1997 (Unaudited) | October 31, 1996 |
|---|---|---|
| Current assets: | | |
| Cash, cash equivalents and short-term investments | $ 11,115 | $ 26,684 |
| Accounts receivable (less allowance for doubtful accounts of $235 in 1997 and 1996) | 30,403 | 24,750 |
| Inventories | 9,292 | 7,992 |
| Other current assets | 7,164 | 6,154 |
| Total current assets | 57,974 | 65,580 |
| Property, plant and equipment (less accumulated depreciation of $61,307 in 1997 and $52,740 in 1996) | 146,494 | 123,666 |
| Intangible assets (less accumulated amortization of $3,507 in 1997 and $3,256 in 1996) | 8,754 | 9,305 |
| Investments and other assets | 10,599 | 13,352 |
| | $223,821 | $211,903 |

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

| | May 4, 1997 (Unaudited) | October 31, 1996 |
|---|---|---|
| Current liabilities: | | |
| Current portion of long-term debt | $ 39 | $ 38 |
| Accounts payable | 19,693 | 34,168 |
| Accrued salaries and wages | 5,058 | 5,561 |
| Other accrued liabilities | 6,080 | 4,200 |
| Total current liabilities | 30,870 | 43,967 |
| Long-term debt | 17,023 | 1,987 |
| Deferred income taxes and other liabilities | 8,813 | 9,532 |
| Total liabilities | 56,706 | 55,486 |
| 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, 20,000,000 shares authorized, 11,874,640 shares issued in 1997 and 11,973,290 shares in 1996 | 119 | 120 |
| Additional paid-in capital | 78,423 | 77,833 |
| Retained earnings | 85,482 | 73,973 |
| Unrealized gains on investments | 3,220 | 4,678 |
| Treasury stock, 136,500 shares at cost | - | (245) |
| Cumulative foreign currency translation adjustment | (129) | 58 |
| Total shareholders' equity | 167,115 | 156,417 |
| | $223,821 | $211,903 |

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 | | Six Months Ended | |
|---|---|---|---|---|
| | May 4, 1997 | April 30, 1996 | May 4, 1997 | April 30, 1996 |
| Net sales | $49,034 | $40,514 | $89,063 | $75,182 |
| Costs and expenses: | | | | |
| Cost of sales | 30,283 | 24,811 | 55,630 | 46,063 |
| Selling, general and administrative | 6,244 | 5,447 | 11,279 | 10,032 |
| Research and development | 2,622 | 2,123 | 4,924 | 3,948 |
| Operating income | 9,885 | 8,133 | 17,230 | 15,139 |
| Interest and other income, net | 99 | 334 | 1,379 | 879 |
| Income before income taxes | 9,984 | 8,467 | 18,609 | 16,018 |
| Provision for income taxes | 3,800 | 3,200 | 7,100 | 6,100 |
| Net income | $ 6,184 | $ 5,267 | $11,509 | $ 9,918 |
| Net income per common share | $0.50 | $0.44 | $0.93 | $0.82 |
| Weighted average number of common shares outstanding | 12,432 | 12,048 | 12,331 | 12,053 |

See accompanying notes to consolidated financial statements.

PHOTRONICS, INC. AND SUBSIDIARIES

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

| | Six Months Ended | |
|---|---|---|
| | May 4, 1997 | April 30, 1996 |
| Cash flows from operating activities: | | |
| Net income | $11,509 | $ 9,918 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 9,496 | 5,981 |
| Gain on disposition of investments | (1,060) | - |
| Other | 426 | 999 |
| Changes in assets and liabilities, net of effects of acquisitions: | | |
| Accounts receivable | (5,653) | (5,586) |
| Inventories | (1,300) | (977) |
| Other current assets | (1,010) | (2,439) |
| Accounts payable and other liabilities | (13,109) | (2,154) |
| Net cash provided by (used in) operating activities | (701) | 5,742 |
| Cash flows from investing activities: | | |
| Acquisition of photomask operations | - | (8,482) |
| Deposits on and purchases of property, plant and equipment | (32,540) | (18,621) |
| Net change in short-term investments | 7,918 | 12,196 |
| Proceeds from sale of investments | 1,369 | - |
| Other | 488 | 1,143 |
| Net cash used in investing activities | (22,765) | (13,764) |
| Cash flows from financing activities: | | |
| Repayment of long-term debt | (19) | (19) |
| Borrowings under revolving credit facility | 15,000 | - |
| Net proceeds from issuance of common stock | 834 | 1,257 |
| Net cash provided by financing activities | 15,815 | 1,238 |
| Net decrease in cash and cash equivalents | (7,651) | (6,784) |
| Cash and cash equivalents at beginning of period | 18,766 | 35,644 |
| Cash and cash equivalents at end of period | $11,115 | $28,860 |
| Cash paid during the period for: | | |
| Interest | $ 14 | $ 16 |
| Income taxes | $3,026 | $6,299 |

See accompanying notes to consolidated financial statements.

PHOTRONICS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

Three and Six Months Ended May 4, 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 and six-month periods ended May 4, 1997 and April 30, 1996. 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 October 31, 1996, which give a complete discussion of these matters.

The Company adopted a fifty-two (52) week fiscal year beginning in the first quarter of 1997.

## NOTE 2 - 6% CONVERTIBLE SUBORDINATED NOTES DUE JUNE 1, 2004

On May 29, 1997, the Company sold $103.5 million of convertible subordinated notes, due in 2004, in a public offering. The notes bear interest at 6% per annum and are convertible at any time by the holders into 1.85 million shares of the Company's common stock, at a conversion price of $55.94 per share. The notes are redeemable at the Company's option, in whole or in part, at any time after June 1, 2000 at certain premiums decreasing through the maturity date. Interest is payable semi-annually commencing December 1, 1997.

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition
Three and Six Months ended May 4, 1997 versus April 30, 1996

OVERVIEW

Photronics established its first operations outside of the United States beginning in fiscal 1996, by acquiring two European operations, opening a new manufacturing facility in Singapore and acquiring a minority interest in an independent photomask manufacturer in Korea. These facilities, together with the Company's five U.S. manufacturing facilities, comprise a global manufacturing network of nine manufacturing facilities supporting semiconductor manufacturers in the Asian, European and North American markets. As a result, revenues from foreign markets increased in the first half of 1997, compared with the first half of 1996, and that trend is expected to continue.

Revenues and costs also have been affected by the increased demand for higher technology photomasks which have 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 to the Singapore facility, the Company completed construction of its new state-of-the-art facility in Allen, Texas, to which it relocated its Dallas, Texas, operation in the fourth quarter of fiscal 1996. The Company currently has two new manufacturing facilities under construction, one in Manchester, U.K., to which the existing Oldham, U.K. operation will be relocated during fiscal 1997, and a new manufacturing facility near Austin, Texas, which the Company expects will be operational in late 1997.

RESULTS OF OPERATIONS

Net Sales:

Net sales for the three and six months ended May 4, 1997 increased 21.0% to $49.0 million and 18.5% to $89.1 million, respectively, compared with $40.5 million and $75.2 million for the corresponding prior year periods. Sales from Photronics' new international manufacturing operations accounted for approximately 40% of the 1997 year-to-date increase. The remaining portion of the growth resulted 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:

Gross profit for the three and six months ended May 4, 1997, increased 19.4% to $18.8 million and 14.8% to $33.4 million, respectively, compared with $15.7 million and $29.1 million for the same periods in the prior fiscal year. Gross margins decreased to 38.2% for the three months and to 37.5% for the six months ended May 4, 1997, as compared with 38.8% and 38.7%, respectively, in the corresponding periods in the prior fiscal year. The increase in gross profit resulted principally from increases in sales volume, both from existing operations in the United States and from new international operations. To allow for increased manufacturing capability, the Company has continued to increase its staffing levels and added to its manufacturing systems, resulting in higher labor and equipment-related costs, including depreciation expense. The lower margin rates were due primarily to the Company's expanded manufacturing base, which is still in the process of ramping-up to higher levels of utilization, and the inclusion of international operations which generated margins below those generally experienced in the Company's domestic operations. In addition, margins were lower at the Company's Beta Squared subsidiary. Partially offsetting increased costs were better margins resulting from a favorable product mix of complex photomasks during the current fiscal year. The Company anticipates that its fixed operating costs will increase in connection with its continuing capacity expansion which it expects to offset with increases in net sales.

Selling, General and Administrative Expenses:

Selling, general and administrative expenses increased 14.6% to $6.2 million and 12.4% to $11.3 million, respectively, for the three and six months ended May 4, 1997, compared with $5.4 million and $10.0 million for the same periods in the prior fiscal year. However, as a percentage of net sales, selling, general and administrative expenses decreased to 12.7% for the three and six months ended May 4, 1997, compared with 13.4% and 13.3% for the same periods in the prior fiscal year. The increases in costs resulted from the addition of the new international operations, as well as expansion domestically, especially in Allen, Texas.

Research and Development:

Research and development expenses for the three and six months ended May 4, 1997, increased 23.5% to $2.6 million and 24.7% to $4.9 million, respectively, compared with $2.1 million and $3.9 million for the same periods in the prior fiscal year. These increases reflect expansion of the Company's research and development organization and an increase in its development efforts which have focused on new high-end, more complex photomasks, including phase shift, optical proximity correction and deep ultra-violet technologies, as well as large area photomasks. As a percentage of net sales, research and development expenses increased to 5.3% and 5.5% for the three and six months ended May 4, 1997, respectively, compared with 5.2% and 5.3% in the corresponding prior fiscal periods.

Other Income:

Interest and other income, net, for the six months ended May 4, 1997, increased to $1.4 million compared with $0.9 million for the same period in the prior fiscal year due principally to a $1.1 million gain from the sale of investment securities, offset in part by a decrease in interest income resulting from lower levels of funds available for investment.

Net Income:

Net income for the three and six months ended May 4, 1997, increased 17.4% to $6.2 million, or $0.50 per share, and 16.0% to $11.5 million, or $0.93 per share, respectively, compared with $5.3 million, or $0.44 per share and $9.9 million, or $0.82 per share, for the same periods in the prior fiscal year. Net income in the first six months of 1997 included $0.7 million, or $0.05 per share, from the gain on the sale of investment securities. The weighted average number of common shares outstanding increased to 12.4 million and 12.3 million for the three and six months ended May 4, 1997, from 12.0 million and 12.1 million for the same periods in the prior fiscal year principally as a result of the issuance of shares in connection with employee stock option exercises.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash, cash equivalents and short-term investments decreased $15.6 million during the first half of fiscal 1997, largely as a result of $32.5 million of capital expenditures for building construction and equipment purchases in connection with the Company's expansion of manufacturing capacity. Offsetting these decreases during the first half of 1997 were proceeds from the sale of investments of $1.4 million and $0.8 million from sales of stock under the employee stock option and purchase plans. In addition, the Company borrowed $15.0 million under its revolving credit facility in the second quarter of 1997.

Accounts receivable increased to $30.4 million at May 4, 1997 from $24.8 million at October 31, 1996, primarily as a result of higher order activity over the course of the second quarter of 1997, and sales by the new foreign operations. Inventories increased $1.3 million, or 16.3% from October 1996 to $9.3 million at May 4, 1997, as a result of the purchase during the first half of 1997, of several machines for refurbishment and resale by Beta Squared.

Property, plant and equipment increased to $146.5 million at May 4, 1997, from $123.7 million at October 31, 1996. Deposits on and purchases of equipment and construction in progress on the new Manchester and Austin facilities totaled $32.5 million during the six months ended May 4, 1997. These increases were offset by depreciation expense totaling $9.0 million in the first half of fiscal 1997. The decrease in intangible assets from $9.3 million at October 31, 1996 to $8.8 million at May 4, 1997, was due primarily to amortization expense during the period.

Investments decreased from $13.2 million at October 31, 1996 to $10.4 million at May 4, 1997, due to the sale of certain investment securities, as well as the net decrease in the fair value of investment securities during the period.

Accounts payable decreased $14.5 million from October 31, 1996 to $19.7 million at May 4, 1997, due to payments made of unusually high payables at October 31, 1996 which had resulted from the acceptance of significant equipment purchases at the end of fiscal 1996. Accrued salaries and wages and other accrued liabilities increased to $11.1 million at May 4, 1997 from $9.8 million at October 31, 1996, largely as a result of fiscal 1997 accruals, including incentive compensation, and timing of other expenses.

The Company has amended its revolving credit facility to permit borrowings of up to $30.0 million at any time through October 31, 1998. All amounts outstanding at October 31, 1998 will be due and payable on such date. The Company incurred $15.0 million of long-term debt during the first half of 1997. Other changes in long-term debt are due to the imputation of interest on the obligation incurred in connection with the Micro Mask acquisition. Deferred income taxes decreased from $7.5 million at October 31, 1996, to $6.8 million at May 4, 1997, largely due to a reduction in unrealized gains on investments.

The Company's commitments represent on-going investments in additional manufacturing capacity, as well as advanced equipment for research and development of the next generation of higher technology and more complex photomasks. At May 4, 1997, the Company had commitments outstanding for capital expenditures of approximately $70 million. Additional commitments are expected to be incurred during 1997.

Subsequent to the end of the first half of fiscal 1997, the Company sold $103.5 million of convertible subordinated notes, due in 2004, in a public offering. The notes bear interest at 6% per annum and are convertible into 1.85 million shares of the Company's common stock. The Company received the proceeds, net of the underwriting discounts and costs, of $100 million on May 29, 1997, and repaid the $15 million outstanding under its revolving credit facility. The Company believes that its currently available resources, together with its capacity for substantial growth and its accessibility to other debt and equity financing sources, are sufficient to satisfy its cash requirements for the foreseeable future.

EFFECT OF NEW ACCOUNTING STANDARD

In February, 1997, the Financial Accounting Standards Board issued 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. The Company cannot adopt SFAS 128 until the first quarter of fiscal year 1998. The effect of SFAS 128, had it been adopted beginning in fiscal year 1996, would have been to present basic EPS that would have been greater than EPS actually reported by $0.01 for the second quarter of 1996 and $0.02 for the second quarter of 1997, and by $0.03 for the first six months of 1996 and $0.04 for the first six months of 1997. The presentation of diluted EPS would have been the same as EPS actually reported for the respective periods.

"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 4. Submission of Matters to a Vote of Security-Holders

(a) The matters set forth in this Item 4 were submitted to a vote of security holders of the Company at an Annual Meeting of Shareholders held on March 20, 1997.

(b) The following directors, constituting the entire Board of Directors were elected at the Annual Meeting of Shareholders held on March 20, 1997. Also indicated are the affirmative, negative and authority withheld votes for each director.

| | For | Against | Authority Withheld |
|---|---|---|---|
| Walter M. Fiederowicz | 10,552,775 | 0 | 78,482 |
| Joseph A. Fiorita, Jr. | 10,553,610 | 0 | 77,647 |
| Constantine S. Macricostas | 10,553,225 | 0 | 78,032 |
| Yukio Tagawa | 10,552,925 | 0 | 78,332 |
| Michael J. Yomazzo | 10,552,925 | 0 | 78,332 |

(c) The following additional matters, and the affirmative and negative votes and abstentions and broker non-votes with respect thereto, were approved at the Annual Meeting of Shareholders held on March 20, 1997:

The ratification of the appointment of Deloitte and Touche LLP as the independent certified public accountants of the Company for the fiscal year ending October 31, 1997:

| | |
|---|---|
| Affirmative Votes.................... | 10,619,521 |
| Negative Votes....................... | 5,465 |
| Abstentions/Broker Non-Votes.......... | 6,271 |

Item 6. Exhibits and Reports of Form 8-K

(a) Exhibits

10.1 Third Amendment dated as of May 14,1997 to the Revolving Credit and Term Loan Agreement dated as of March 1, 1995 between the Company and The Chase Manhattan Bank.

27 Financial Data Schedule

(b) Reports on Form 8-K

During the quarter for which this report is filed, the Company filed a report on Form 8-K on May 13, 1997. Such report filed the Company's Condensed Consolidated Balance Sheet at May 4, 1997 (unaudited) and October 31, 1996, and Condensed Consolidated Statement of Earnings for the Three and Six Months Ended May 4, 1997 and April 30, 1996 (unaudited).

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: June 13, 1997

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

1,000

6-MOS
OCT-31-1996
MAY-4-1997
11,115
0
30,638
235
9,292
57,974
207,801
61,307
223,821
30,870
17,023
0
0
119
166,996
223,821
89,063
89,063
55,630
55,630
0
0
140
18,609
7,100
11,509
0
0
0
11,509
0.93
0.00

THIRD AMENDMENT (the "Amendment"), dated as of May 14, 1997, to the Revolving Credit and Term Loan Agreement dated as of March 1, 1995 between PHOTRONICS, INC. (the "Borrower") and THE CHASE MANHATTAN BANK (the "Bank"), as amended by the First Amendment and Waiver dated as of July 11, 1996 and Second Amendment and Waiver dated as of January 24, 1997 (the "Agreement").

WITNESSETH:

WHEREAS, the Borrower and the Bank are parties to the Agreement; and

WHEREAS, the Borrower has requested the Bank to amend the Agreement to modify the terms and conditions of the Revolving Credit Loans and remove the procedure for making of the Term Loans.

NOW, THEREFORE, in consideration of the premises and mutual agreements herein contained, the parties hereby agree as follows:

1. Definitions.

Except as otherwise stated, capitalized terms defined in the Agreement and used herein without definition shall have the respective meanings assigned to them in the Agreement.

2. Amendments of the Agreement

A. Section 1.2 of the Agreement, Revolving Credit Notes, is hereby amended by deleting the first sentence, the deleted text being set forth below, and substituting therefor the text set forth below:

Delete the following:
"The Revolving Credit Loans made by the Bank shall be evidenced by a promissory note of the Borrower, substantially in the form of Exhibit A (the "Revolving Credit Note"), payable to the order of the Bank and in a principal amount equal to the lesser of (a) Thirteen Million Dollars ($13,000,000) and (b) the aggregate unpaid principal amount of all Revolving Credit Loans made by the Bank.

Replace with the following:
"The Revolving Credit Loans made by the Bank shall be evidenced by a promissory note of the Borrower, substantially in the form of Exhibit A (the "Revolving Credit Note"), payable to the order of the Bank and in a principal amount equal to the lesser of (a) Thirty Million Dollars ($30,000,000) and (b) the aggregate unpaid principal amount of all Revolving Credit Loans made by the Bank."

B. Section 1.5 of the Agreement, Termination or Reduction of the Commitment, is hereby amended by deleting the third and fourth sentences, the deleted text being set forth below:

Delete the following:
"Any reduction in the Revolving Credit Commitment to an amount less than $10,000,000 shall permanently reduce the Revolving Credit Commitment in subsequent Availability Periods. Termination of the Commitment shall also terminate the obligation of the Bank to make any Term Loans."

C. Section 1.6 of the Agreement, Term Loans, is hereby superseded and replaced, and amended to read:

1.6 Not Used; Number Reserved

D. Section 1.7 of the Agreement, Term Notes, is hereby superseded and replaced, and amended to read:

1.7 Not Used; Number Reserved

E. Section 1.8 of the Agreement, Procedure for Term Loan Borrowing, is hereby superseded and replaced, and amended to read:

1.8 Not Used; Number Reserved

F. Section 1.9 of the Agreement, Optional Prepayments, is hereby amended by deleting the third and fourth sentences, the deleted text being set forth below:

Delete the following:
"Partial prepayments of the Term Loans shall be applied to the installments of principal thereof in the inverse order of their

scheduled maturities. Amounts prepaid on account of the Term Loans may not be reborrowed."

G. Section 1.10 of the Agreement, Conversion and Continuation Options, is hereby amended by deleting the phrase "or the date of the final installment of principal of a Term Loan" in line 20 thereof.

H. Section 2.5 of the Agreement, Financial Statements, is hereby amended by deleting the reference to "October 31, 1994", and replacing with "October 31, 1994, October 31, 1995 and October 31, 1996".

I. Section 2.7 of the Agreement, Adverse Developments, is hereby amended by deleting the reference to "October 31, 1994" and replacing it with "October 31, 1996".

J. Section 3.3 of the Agreement, Additional Conditions to Term Loans, is hereby superseded and replaced, and amended to read:

3.3 Not Used; Number Reserved

K. Section 4.9 of the Agreement, Subsidiary Guarantees, is hereby amended by inserting the following as the last sentence thereof:

"Provided, however, that if such subsidiary is not formed under the laws of a state of the United States, the Bank may, at the request of the Borrower, accept in lieu of the foregoing guaranty (a) a duly executed pledge agreement of the Borrower which pledge agreement shall grant to the Bank, as security for the Indebtedness and obligations under the Loan Documents, a security interest in no more than sixty-six and two-thirds percent (66-2/3%) of the issued and outstanding shares of the Borrower's stock in such foreign subsidiary, and (b) requisite board resolutions and supporting documents reasonably requested by Bank in connection with such pledge agreement, all of the foregoing being in form and substance satisfactory to Bank.

L. Section 8.1 of the Agreement, Definitions, is hereby amended by deleting the definition of "Availability Period" in its entirety and substituting in lieu thereof the following new definition:

"Availability Period" shall mean the single period from March 1, 1995 to and including October 31, 1998.

N. Section 8.1 of the Agreement, Definitions, is hereby amended by deleting the definition of "Loan Documents" in its entirety and substituting in lieu thereof the following new definition:

"Loan Documents" shall mean this Agreement, the Notes, the Guarantees, and any pledge agreement delivered pursuant to Section 4.9.

O. Section 8.1 of the Agreement, Definitions, is hereby amended by deleting the definition of "Notes" in its entirety and substituting in lieu thereof the following new definition:

"Note" or "Notes" shall mean the Revolving Credit Note.

P. Section 8.1 of the Agreement, Definitions, is hereby amended by deleting the definition of "Revolving Credit Commitment" in its entirety and substituting in lieu thereof the following new definition:

"Revolving Credit Commitment" shall mean, for the Availability Period, Thirty Million Dollars ($30,000,000).

Q. Section 8.1 of the Agreement, Definitions, is hereby amended by deleting the definitions of "Carryover Amount", "Term Loans", and "Term Note" in their entirety.

R. Section 9.11 of the Agreement, Notices, is hereby amended by deleting the notice address for the Bank in its entirety and substituting in lieu thereof the following new address:

The Chase Manhattan Bank
999 Broad Street, Second Floor
Bridgeport, CT 06604
Attention: David Short, Photronics Account Officer

S. Any and all references in the Agreement to "Revolving Credit and Term Loan Agreement" shall be amended to read "Revolving Credit Agreement".

T. Exhibit A to the Agreement is superseded and replaced by the Amended and Restated Revolving Credit Note attached hereto as Exhibit A, and Schedule 2.14 to the Agreement is superseded and replaced by Schedule 2.14 attached hereto as Exhibit B.

3. Representations and Warranties

To induce the Bank to enter into this Amendment, the Borrower hereby represents and warrants that:

(a) The Borrower has the power, authority and legal right to make and deliver this Amendment and to perform its obligations under the Agreement, as amended by this Amendment, without any notice, consent, approval or authorization not already obtained, and the Borrower has taken all necessary action to authorize the same.

(b) The making and delivery of this Amendment and the performance of the Agreement as amended by this Amendment do not violate any provision of law or any regulation or of the Borrower's charter or by-laws or results in the breach of or constitute a default under or require any consent under any indenture or other agreement or instrument to which the Borrower is a party or by which the Borrower or any of its property may be bound or affected; provided, however, that this representation shall exclude the Connecticut Development Authority, $3,450,000 Industrial Development Bonds (Photronic Labs, Inc., Project - 1984 Series). The Agreement as amended by this Amendment constitutes a legal, valid and binding obligation of the Borrower, enforceable against it in accordance with its terms, except as the enforceability thereof may be limited by any applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting creditors' rights generally.

(c) The representations and warranties contained in Section 2 of the Agreement are true and correct on and as of the date of this Amendment and after giving effect thereto.

(d) No Default or Event of Default has occurred and is continuing under the Agreement as of the date of this Amendment and after giving effect thereto.

4. Effective Date

This Amendment shall become effective as of the date hereof when the Bank shall have received the following duly executed by each party thereto and in form and substance satisfactory to the Bank:

A. A counterpart of this Amendment; and

B. The Amended and Restated Revolving Credit Note of Borrower issued to Bank substantially in the form and substance of Exhibit A hereto, which shall supersede and replace Exhibit A to the Credit Agreement; and

C. A certified copy of resolutions of the Borrow ratifying and confirming the valid execution of this Amendment and the Amended and Restated Revolving Credit Note.

5. Pledge Agreements

Within sixty (60) days from the date of this Amendment, the Bank must have received the pledge agreements for each foreign subsidiary required under Section 4.9 of the Agreement, as amended, together with such other documents or instruments as Bank may request to establish and maintain Bank's security interest in no more than sixty-six and two-thirds percent (66-2/3%) of the common stock of such foreign subsidiary.

6. Counterparts

This Amendment may be signed in any number of counterparts, each of which shall be an original and all of which taken together shall constitute a single instrument with the same effect as if the signature thereto and hereto were upon the same instrument.

7. Full Force and Effect

Except as expressly modified by this Amendment, all of the terms and provisions of the Agreement shall continue in full force and effect, and all parties hereto shall be entitled to the benefits thereof.

8. Governing Law

This Amendment shall be governed by and construed in accordance with the law of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their proper and duly authorized officers as of the date set forth above.

| THE CHASE MANHATTAN BANK | PHOTRONICS, INC. |
|---|---|
| By:____(T.DAVID SHORT)___ | By:____(ROBERT J. BOLLO)__ |
| Name: T.David Short | Name: Robert J. Bollo |
| Title: Vice President | Title: Chief Financial Officer |

EXHIBIT A

Amended and Restated
Revolving Credit Note

$30,000,000 White Plains, New York
Dated as of March 1, 1995

FOR VALUE RECEIVED, the undersigned, Photronics, Inc. a Connecticut corporation (the "Borrower") hereby promises to pay to the order of The Chase Manhattan Bank (the "Bank") at 270 Park Avenue, New York, New York, on the Commitment Termination Date (as defined in the Revolving Credit and Term Loan Agreement dated as of March 1, 1995, as amended (the "Credit Agreement"), between the Borrower and the Bank), the lesser of the principal sum of Thirty Million Dollars ($30,000,000) and the aggregate unpaid principal amount of all Revolving Credit Loans (as defined in the Credit Agreement) made to the Borrower by the Bank pursuant to the Credit Agreement, in lawful money of the United States of America, in immediately available funds, and to pay interest on the principal amount hereof from time to time outstanding, in like funds, at said office, at the rate or rates per annum, from the dates and payable on the dates provided in the Credit Application.

The Borrower promises to pay interest, on demand, on any overdue principal and, to the extent permitted by law, overdue interest from their due dates at the rate or rates provided in the Credit Agreement.

The Borrower hereby waives diligence, presentment, demand, protest and notice of any kind whatsoever. The nonexercise by the holder of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in that or any subsequent instance.

All borrowings evidenced by this Note and all payments and prepayments of the principal hereof and interest hereon and the respective dates and maturity dates thereof shall be endorsed by the holder hereof on the schedule attached hereto and made a part hereof or on a continuation thereof which shall be attached hereto and made a part hereof, or otherwise recorded by such holder in its internal records; provided, however, that the failure of the holder to make such a notation or any error in such a notation shall not affect the obligations of the Borrower under this Note.

The Borrower agrees that the Bank has accepted this Note to supersede and replace the March 1, 1995 Revolving Credit Note of the Borrower in the original principal amount of $13,000,000, currently held by the Bank. The Borrower agrees that the principal amount shown outstanding on the books and records of the Bank under such prior note shall be deemed outstanding under this Note as of the date hereof.

The Loans evidenced hereby are Loans referred to in the Credit Agreement, which, among other things, contains provisions for the acceleration of the maturity thereof upon the happening of certain events, for optional prepayment of the principal thereof prior to the maturity thereof and for the amendment or waiver of certain provisions of the Credit Agreement, all upon the terms and conditions therein specified. THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

PHOTRONICS, INC.

By:______________________
Name: Robert J. Bollo
Title: Chief Financial Officer