SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

X **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended May 4, 2003

OR

O **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

PHOTRONICS, INC.
(Exact name of registrant as specified in its charter)

Connecticut	**06-0854886**
(State or other jurisdiction of incorporation of organization)	*(IRS Employer Identification Number)*

15 Secor Road, Brookfield, Connecticut 06804
(Address of principal executive offices and zip code)

(203) 775-9000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: **None**
Securities registered pursuant to Section 12(g) of the Act: **Common Stock, $0.01 par value per share**

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 o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
Yes x No o

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 June 2, 2003
Common Stock, $0.01 par value	**32,086,546 Shares**

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 November 3, 2002. Any forward looking statements should be considered in light of these factors.

PHOTRONICS, INC.
AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

PHOTRONICS, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(in thousands, except per share amounts)

	May 4, 2003	November 3, 2002
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$243,272	$113,944
Short-term investments	15,791	15,148
Accounts receivable, net	61,630	62,545
Inventories	17,285	19,948
Deferred income taxes and other current assets	38,140	37,475
Total current assets	376,118	249,060
Property, plant and equipment, net	389,464	443,860
Intangible and other assets	140,334	139,522
	$905,916	$832,442
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 8,081	$ 10,649
Accounts payable	40,719	57,401
Other accrued liabilities	38,583	38,982
Total current liabilities	87,383	107,032
Long-term debt	433,791	296,785
Deferred income taxes and other liabilities	43,724	44,539
Minority interest	48,877	44,971
Shareholders' equity:		
Preferred stock, $0.01 par value, 2,000 shares authorized, none issued and outstanding	-	-
Common stock, $0.01 par value, 150,000 shares authorized, 32,082 shares issued and outstanding at May 4, 2003 and 32,033 shares issued and outstanding at November 3, 2002	321	320
Additional paid-in capital	196,229	195,588
Retained earnings	105,805	158,363
Accumulated other comprehensive loss	(10,111)	(14,999)
Deferred compensation on restricted stock	(103)	(157)
Total shareholders' equity	292,141	339,115
	$905,916	$832,442

See accompanying notes to condensed consolidated financial statements.

PHOTRONICS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations
(in thousands, except per share amounts)

(unaudited)

Three Months Ended		Six Months Ended	
May 4,	April 30,	May 4,	April 30,

	2003	2002	2003	2002
Net sales	$ 85,548	$103,057	$166,942	$198,743
Costs and expenses:				
Cost of sales	62,808	71,319	126,564	139,073
Selling, general and administrative	14,612	14,656	28,985	28,501
Research and development	7,531	7,451	15,153	14,584
Consolidation, restructuring and related charges	42,000	-	42,000	-
Operating income (loss)	(41,403)	9,631	(45,760)	16,585
Other expenses, net	(3,298)	(4,122)	(6,328)	(7,191)
Income (loss) before income taxes and minority interest	(44,701)	5,509	(52,088)	9,394
Income tax provision (benefit)	(1,874)	800	(2,371)	1,300
Income (loss) before minority interest	(42,827)	4,709	(49,717)	8,094
Minority interest	(1,243)	(2,190)	(2,840)	(3,828)
Net income (loss)	$(44,070)	$ 2,519	$(52,557)	$ 4,266
Earnings (loss) per share:				
Basic	$ (1.37)	$ 0.08	$ (1.64)	$ 0.14
Diluted	$ (1.37)	$ 0.08	$ (1.64)	$ 0.14
Weighted average number of common shares outstanding:				
Basic	32,053	30,833	32,045	30,573
Diluted	32,053	31,909	32,045	31,556

See accompanying notes to condensed consolidated financial statements.

PHOTRONICS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(in thousands)

(unaudited)

	Six Months Ended	
	May 4, 2003	**April 30, 2002**
Cash flows from operating activities:		
Net income (loss)	$(52,557)	$ 4,266
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	43,576	39,918
Consolidation, restructuring and related charges	42,000	-
Changes in assets and liabilities:		
Accounts receivable	1,499	(1,931)
Inventories	2,899	(287)
Other current assets	1,008	(341)
Accounts payable and other	(20,334)	2,578
Net cash provided by operating activities	18,091	44,203
Cash flows from investing activities:		
Deposits on and purchases of property, plant and equipment	(17,638)	(68,702)
Other	(938)	139
Net cash used in investing activities	(18,576)	(68,563)
Cash flows from financing activities:		
Repayments of long-term debt, net	(17,267)	(62,884)
Proceeds from issuance of common stock	335	1,075
Proceeds from issuance of convertible debt, net	145,170	193,431
Net cash provided by financing activities	128,238	131,622
Effect of exchange rate changes on cash flows	1,575	7
Net increase in cash and cash equivalents	129,328	107,269
Cash and cash equivalents at beginning of period	113,944	34,684
Cash and cash equivalents at end of period	$243,272	$141,953

See accompanying notes to condensed consolidated financial statements.

PHOTRONICS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

NOTE 1 - BASIS OF FINANCIAL STATEMENT PRESENTATION

Photronics, Inc. and its subsidiaries (the "Company" or "Photronics") manufacture photomasks, which are high precision photographic quartz plates containing microscopic images of electronic circuits. Photomasks are a key element in the manufacture of semiconductors and are used as masters to transfer circuit patterns onto semiconductor wafers during the fabrication of integrated circuits and, to a lesser extent, other types of electrical components. The Company operates principally from nine facilities, three of which are located in the United States, three in Europe and one each in Korea, Singapore and Taiwan.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America 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 of America for annual 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 interim period are not necessarily indicative of the results that may be expected for the year ending November 2, 2003. 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 November 3, 2002.

NOTE 2 - COMPREHENSIVE INCOME

The following table summarizes comprehensive income for the three and six months ended May 4, 2003 and April 30, 2002 (in thousands):

	Three Months Ended		Six Months Ended	
	May 4, 2003	April 30, 2002	May 4, 2003	April 30, 2002
Net income (loss)	$(44,070)	$ 2,519	$(52,557)	$ 4,266
Other comprehensive income:				
Unrealized gains (losses) on investments	425	(1,306)	403	(1,182)
Foreign currency translation adjustments	(5,154)	2,289	4,484	1,843
Net change in cash flow hedges	-	-	-	(690)
	(4,729)	983	4,887	(29)
Total comprehensive income (loss)	$(48,799)	$ 3,502	$(47,670)	$ 4,237

NOTE 3 - EARNINGS (LOSS) PER SHARE

Earnings (loss) per share ("EPS") amounts are calculated in accordance with the provisions of Statement of Financial Standards ("SFAS") No. 128, "Earnings Per Share." 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 and six months ended May 4, 2003 and April 30, 2002, respectively, follows (in thousands, except per share amounts):

	Net Income (Loss)	Average Shares Outstanding	Earnings (Loss) Per Share
<u>Three Months</u>			
2003:			
Basic and diluted (a)	$(44,070)	32,053	$(1.37)
2002:			
Basic	$ 2,519	30,883	$ 0.08
Effect of potential dilution from exercise of stock options (b)	-	1,026	-
Diluted	$ 2,519	31,909	$ 0.08

	Net Income (Loss)	Average Shares Outstanding	Earnings (Loss) Per Share
<u>Six Months</u>			
2003:			
Basic and diluted (a)	$(52,557)	32,045	$(1.64)
2002:			
Basic	$ 4,266	30,573	$ 0.14
Effect of potential dilution from exercise of stock options (b)	-	983	-

Diluted	$ 4,266	31,556	$ 0.14

(a) The effect of stock options and the conversion of the Company's convertible notes for the three and six months ended May 4, 2003 is anti-dilutive. If the assumed exercise of stock options and conversion of convertible subordinated notes had been dilutive, the incremental additional shares outstanding would have been 9,755 and 8,728 for the three and six months ended May 4, 2003, respectively.

(b) The effect of the conversion of the Company's convertible notes for the three and six months ended April 30, 2002 is anti-dilutive. If the assumed conversion of convertible subordinated notes had been dilutive, the incremental additional shares outstanding would have been 9,098 and 7,747 for the three and six months ended April 30, 2002, respectively.

NOTE 4 - LONG-TERM DEBT

On April 15, 2003 the Company sold $150.0 million, 2.25% convertible subordinated notes due 2008 in a private offering pursuant to SEC Rule 144A. Those notes are convertible into the Company's common stock at a conversion price of $15.89 per share. Net proceeds from the issuance amounted to approximately $145.2 million. On June 2, 2003 a portion of the net proceeds were used to redeem the $62.1 million of the Company's outstanding 6% convertible subordinated notes due 2004. Pursuant to the terms of the agreement, the 6% convertible subordinated notes were redeemed at 100.8571% of the principal amount plus accrued interest of $1.9 million for an aggregate redemption price of $64.5 million, including a premium of $0.5 million.

The Company's $100 million revolving credit facility (the "credit facility") which expires July 2005, was amended April 9, 2003 to relax certain financial covenants and definitions as a result of the Company's March 2003 consolidation plan and April 2003 issuance of $150.0 million convertible subordinated notes.

NOTE 5 - CONSOLIDATION, RESTRUCTURING AND RELATED CHARGES

In March 2003, the Company initiated a plan to further consolidate its' North American manufacturing network in order to increase capacity utilization and manufacturing efficiencies. Total consolidation and related charges of $42.0 million were recorded during the second quarter. Of the total charge, $34.2 million was non-cash. Components of the charge include $3.4 million for workforce reductions, $4.4 million for facility lease payments, and $34.2 million non-cash charges for the impairment of the carrying value of fixed assets.

In August 2002, the Company initiated a consolidation plan that included the ceasing of photomask manufacturing at its Milpitas, California site and a reduction of its workforce in the United States. The total charge associated with this plan was $14.5 million which included $2.5 million for workforce reduction, $1.5 million for facility lease payments, and $10.5 million non-cash charges for the impairment of the carrying value of fixed assets.

In April 2001 as part of the Company's final phase of its merger with Align-Rite, the Company initiated a consolidation plan to consolidate its global photomask manufacturing network. The total charge of $38.1 million consisted of non-cash charges of $29.6 million for the impairment of fixed assets and intangible assets, $4.0 million for severance and benefits and $4.5 million for facility closing costs and lease payments.

For these previously announced actions, the Company charges expended were $35.9 million and $37.8 million for the three and six months ended May 4, 2003, respectively. These charges relate to severance and benefits for terminated employees and non-cancelable facility lease payments. From the dates the above three plans were initiated through May 4, 2003, the Company has expended, including non-cash charges, $84.4 million.

The following table sets forth the Company's restructuring reserves as of May 4, 2003 and reflects the activity affecting the reserve for the three and six months ending May 4, 2003:

	Three Months Ended May 4, 2003			
	February 2, 2003 Balance	**Charges**	**Credits**	**May 4, 2003 Balance**
Manufacturing capacity reduction and other	$ 3,619	$38,575	$(35,042)	$ 7,152
Workforce reductions	454	3,425	(862)	3,017
Total	$ 4,073	$42,000	$(35,904)	$10,169

	Six Months Ended May 4, 2003			
	November 3, 2002 Balance	**Charges**	**Credits**	**May 4, 2003 Balance**
Manufacturing capacity reduction and other	$ 4,268	$38,575	$(35,691)	$ 7,152
Workforce reductions	1,691	3,425	(2,099)	3,017
Total	$ 5,959	$42,000	$(37,790)	$10,169

The Company anticipates that substantially all of the $3.0 million relating to workforce reductions will be paid by the end of the fiscal year 2003. Non-cancelable lease obligations of $7.2 million will be paid over the respective lease terms through 2009.

For the three and six months ended April 30, 2002, the Company expended $1.0 million and $2.6 million respectively, for severance and benefits for terminated employees and non-cancelable facility lease payments. From the date these plans were initiated, until April 30, 2002, the Company has expended $33.1 million.

The following table sets forth the Company's restructuring reserves as of April 30, 2002 and reflects the activity affecting the reserve for the three and six months ending April 30, 2002:

	Three Months Ended April 30, 2002			
	January 31, 2002 Balance	Charges	Credits	April 30, 2002 Balance
Manufacturing capacity reduction and other	$3,880	-	$(713)	$3,167
Workforce reductions	2,107	-	(276)	1,831
Total	$5,987	-	$(989)	$4,998

	Six Months Ended April 30, 2002			
	October 31, 2001 Balance	Charges	Credits	April 30, 2002 Balance
Manufacturing capacity reduction and other	$4,990	-	$(1,823)	$3,167
Workforce reductions	2,567	-	(736)	1,831
Total	$7,557	-	$(2,559)	$4,998

Effective November 4, 2002, the Company adopted SFAS No.'s 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" and 146 "Accounting for Costs Associated with Exit or Disposal Activities." The adoption of SFAS No.'s 144 and 146 did not have a material impact on the Company's financial statements for the three or six months ended May 4, 2003.

NOTE 6 - STOCK-BASED COMPENSATION

In December 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of FASB Statement No. 123." SFAS No. 148 became effective for the Company's second quarter of fiscal year 2003, and requires quarterly disclosure of pro-forma stock compensation information.

The Company has several stock option plans under which incentive and non-qualified stock options may be granted. The Company accounts for those plans under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees,"and related Interpretations. No stock-based employee compensation cost is reflected in net income (loss), as all options granted under those plans had an exercise price equal to the market value of

the underlying common stock on the date of grant. The following table illustrates the effect on net income (loss) and earnings per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, "Accounting for Stock-Based Compensation," to stock-based employee compensation.

	Three Months Ended		Six Months Ended	
	May 4, 2003	April 30, 2002	May 4, 2003	April 30, 2002
Reported net income (loss)	$(44,070)	$ 2,519	$(52,557)	$ 4,266
Effect of total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(1,213)	(1,155)	(2,611)	(1,884)
Pro forma net income (loss)	$(45,283)	$ 1,364	$(55,168)	$ 2,382
Reported earnings (loss) per share:				
Basic and diluted - as reported	$(1.37)	$ 0.08	$(1.64)	$ 0.14
Basic and diluted - pro forma	$(1.41)	$ 0.04	$(1.72)	$ 0.08

In preparing the above quarterly disclosures of pro-forma stock compensation information for 2002, the Company identified certain stock options issued from 2000 - 2002 which were inadvertently not included in the Company's Black-Scholes options pricing model (the "model") utilized for the pro-forma disclosure in the Company's 2002 Annual Report on Form 10-K. These options were, however, properly disclosed as granted. The exclusion of these options in the model had no effect on the Company's previously reported consolidated balance sheets as of November 3, 2002 and October 31, 2001 and the consolidated statements of operations, shareholders' equity and cash flows for the three years ended November 3, 2002, October 31, 2001 and October 31, 2000. The Company expects to file an amended 2002 Annual Report on Form 10-K as soon as practicable. The following table summarizes changes in previously reported footnote information:

Year Ended

	November 3, 2002	October 31, 2001	October 31, 2000
Reported net income (loss)	$(4,857)	$(4,026)	$10,176
Previously reported effect of total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(100)	(400)	(1,400)
Adjustment	(3,972)	(2,819)	(1,301)
Pro-forma net income (loss), as adjusted	$(8,929)	$(7,245)	$ 7,475
Pro-forma diluted earnings (loss) per share:			
As previously reported	$(0.16)	$(0.14)	$0.29
As adjusted	$(0.29)	$(0.24)	$0.25

NOTE 7 - INCOME TAXES

The income tax provision (benefit) differs from the amount computed by applying the United States statutory rate of 35% to income (loss) before income taxes due to the Company's reduced tax rates in certain Asian jurisdictions and valuation allowances for certain deferred tax assets resulting from net operating loss carryforwards.

NOTE 8 - OTHER RECENT ACCOUNTING PRONOUNCEMENTS

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 supersedes previous guidance for financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This statement applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and (or) the normal operation of a long-lived asset.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under Statement 133. This statement is effective for contracts entered into or modified after June 30, 2003. Management is currently evaluating the provisions of this statement, and does not believe that it will have a significant impact on the Company's consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This statement requires than an issuer classify financial instruments that are within its scope as a liability. Many of those instruments were classified as equity under previous guidance. Most of the guidance in SFAS No. 150 is effective for all financial instruments entered into or modified after May 31, 2003, and otherwise effective at the beginning of the first interim period beginning after June 15, 2003. Management is currently evaluating the provisions of this statement, and does not believe that it will have an impact on the Company's consolidated financial statements.

In November 2002, the FASB issued FASB Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No. 45 clarifies and expands existing disclosure requirements for guarantees, including loan guarantees.

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities - an Interpretation of Accounting Research Bulletin No. 51." FIN No. 46 clarifies rules for consolidation of special purpose entities.

SFAS No. 143 and FIN No's. 45 and 46 became effective for the Company's financial statements for fiscal year 2003. These statements did not have a material impact on its consolidated financial statements.

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

Overview

In 2001, the Company completed the acquisition of a majority equity interest (approximately 51%) in PKL LTD. ("PKL"), a leading Korean photomask supplier, for $56 million. In April 2002, the Company acquired an additional 28% of PKL in exchange for 1,212,218 shares of Photronics common stock. In the six month period ended May 4, 2003, PKL stock options were exercised which changed the Company's total majority equity interest to approximately 78%. The acquisition was accounted for as a purchase and accordingly goodwill in the aggregate of $69.4 million was recorded. The operating results of PKL have been included in the Company's consolidated statements of operations since August 27, 2001.

In August 2002, the Company implemented a plan to reduce its operating cost structure by reducing its workforce in the United States by approximately 135 employees and by ceasing the manufacture of photomasks at its Milpitas, California facility. Total consolidation and related charges of $14.5 million were recorded in the fourth quarter of 2002. Of the total charge, $10.5 million was non-cash for the impairment in carrying value of fixed assets, $2.5 million of cash

charges for severance and benefits for terminated employees that will be paid during their entitlement periods and $1.5 million of cash charges for facilities closing costs as well as lease termination costs.

In March 2003, the Company initiated a plan to further consolidate its' North American manufacturing network in order to increase capacity utilization and manufacturing efficiencies. Total consolidation and related charges of $42.0 million were recorded during the second quarter. Of the total charge, $34.2 million was non-cash. Components of the charge include $3.4 million for workforce reductions, $4.4 million for facility lease payments, and $34.2 million non-cash charges for the impairment of the carrying value of fixed assets.

The Company's growth in recent years has been affected by the rapid technological changes taking place in the semiconductor industry resulting in a greater mix of high-end photomask requirements for more complex integrated circuit designs. During the latter half of 2001 and continuing through fiscal 2003, the Company has been impacted by the downturn in the semiconductor industry which resulted in decreased demand and increased competitive pricing pressures. The Company cannot predict the duration of such cyclical industry conditions or their impact on its future operating results.

Both revenues and costs have been affected by the increased demand for high-end technology photomasks that require more advanced manufacturing capabilities but generally command higher average selling prices. To meet the technological demands of its customers and position the Company for future growth, the Company continues to make substantial investments in high-end manufacturing capability both at existing and new facilities.

Material Changes in Results of Operations
Three and Six Months ended May 4, 2003 versus April 30, 2002

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

	Three Months Ended		Six Months Ended	
	May 4, 2003	April 30, 2002	May 4, 2003	April 30, 2002
Net sales	100%	100%	100%	100%
Cost of sales	73.4	69.2	75.8	70.0
Gross margin	26.6	30.8	24.2	30.0
Selling, general and administrative expenses	17.1	14.2	17.4	14.3
Research and development expenses	8.8	7.3	9.1	7.4
Consolidation, restructuring and related charges	49.1	-	25.1	-
Operating income (loss)	(48.4%)	9.3%	(27.4%)	8.3%

Net sales for the three months ended May 4, 2003 decreased 17.0% to $85.5 million as compared to $103.1 million for the three months ended April 30, 2002. Net sales for the six months ended May 4, 2003 decreased 16.0% to $166.9 million as compared to $198.7 million for the six months ended April 30, 2002. For the three and six months ended May 4, 2003, by geographic area, net sales in Asia increased $3.3 million and $9.1 million, respectively, to $34.9 million and $68.8 million, respectively; North American sales decreased $20.2 million and $41.7 million, to $34.9 million and $68.0 million, respectively; and European sales decreased $0.7 million to $15.7 million for the three months, but increased $0.8 million to $30.1 million for the six months ended May 4, 2003. The decrease in sales was attributable to a slow-down in new design releases, due in part, to decreased end user demand, both consumer and corporate, for devices utilizing semiconductors and continued increased competitive pricing pressures for mature products as compared to the prior year periods. Design releases were also negatively impacted in 2003 by increased fab closures during the North American, European and Asian holiday periods.

Gross margins decreased to 26.6% and 24.2% for the three and six months ended May 4, 2003, respectively, as compared to 30.8% and 30.0% for the three and six months ended April 30, 2002, respectively. The decrease is primarily associated with the decreased utilization of the Company's expanded fixed equipment cost base, due in part, to decreased demand associated with fewer designs released into production, increased wafer fab closures during the holiday periods in 2003 and competitive pricing pressures for mature product technologies.

Selling, general and administrative expenses decreased 0.3% to $14.6 million and increased 1.7% to $29.0 million for the three and six months ended May 4, 2003, respectively, compared with $14.7 million and $28.5 million for the same periods in the prior fiscal year. As a percentage of net sales, selling, general and administrative expenses increased to 17.1% and 17.4% for the three and six month periods ended May 4, 2003, respectively, compared with 14.2% and 14.3% for the same periods in the prior fiscal year.

Research and development expenses increased 1.1% to $7.5 million and 3.9% to $15.2 million for the three and six months ended May 4, 2003, respectively, compared with $7.5 million and $14.6 million for the same periods in the prior fiscal year. As a percentage of net sales, research and development expenses increased to 8.8% and 9.1 % for the three and six months ended May 4, 2003, respectively, compared with 7.3% and 7.4% for the same periods in the prior fiscal year. The increase is attributable to the continuing global development efforts of high-end process technologies for advanced, sub wavelength reticle solutions in Next Generation Lithography applications, which include the Company's five installed nano-technology line tool sets.

Net other expenses of $3.3 million and $6.3 million for the three and six months ended May 4, 2003, respectively, decreased $0.8 million and $0.9 million, respectively. Net other expense is primarily comprised of interest expense, interest income and foreign currency gains or losses.

The income tax benefit of $1.9 million and $2.4 million for the three and six months ended May 4, 2003, respectively, as compared to an income tax provision of $0.8 million and $1.3 million for the three and six months ended April 30, 2002, respectively. The Company's effective tax benefit rate for the three and six months ended May 4, 2003 was lower than the United States statutory rate of 35% due to reduced tax rates in certain Asian jurisdictions and valuation allowances for certain deferred tax assets generated by net operating loss carryforwards.

Minority interest for the three and six months ended May 4, 2003 was $1.2 million and $2.8 million, respectively, as compared to $2.2 million and $3.8 million for the three and six months ended April 30, 2002, respectively, and reflects the minority interest in earnings of the Company's subsidiaries in Taiwan and Korea.

Net loss was $44.1 million, or $1.37 per basic and diluted share and $52.6 million, or $1.64 per basic and diluted share for the three and six months ended May 4, 2003, respectively. As compared to net income of $2.5 million and $4.3 million or $0.08 and $0.14 per basic and diluted share for the three and six months ended April 30, 2002, respectively. The net loss for the three and six months ended May 4, 2003 include the effect of the consolidation and related charges amounting to $39.9 million after tax, or $1.24 per diluted share.

Liquidity and Capital Resources

On April 15, 2003 the Company sold $150.0 million of its 2.25% convertible subordinated notes due 2008 in a private offering pursuant to SEC Rule 144A. Those notes are convertible into the Company's common stock at a conversion price of $15.89 per share. Net proceeds from the issuance amounted to approximately $145.2 million. On June 2, 2003 a portion of the net proceeds were used to redeem all $62.1 million of the Company's outstanding 6% convertible subordinated notes due 2004. Pursuant to the terms of the agreement, the 6% convertible subordinated notes were redeemed at 100.8571% of the principal amount plus accrued interest of $1.9 million for an aggregate redemption price of $64.5 million.

The Company's working capital at May 4, 2003 was $288.7 million compared with $142.0 million at November 3, 2002. Cash, cash equivalents and short-term investments at May 4, 2003 were $259.1 million compared to $129.1 million at November 3, 2002 as a result of the sale of $150.0 million convertible subordinated notes in April 2003. Cash provided by operating activities was $18.1 million for the six months ended May 4, 2003, as compared to $44.0 million for the six months ended April 30, 2002, primarily due to the net loss incurred, increased depreciation and amortization, and the timing of progress payments to vendors, primarily for equipment which was accrued for at November 3, 2002. Cash used

in investing activities was $18.6 million, primarily comprised of capital expenditures, for the six months ended May 4, 2003. The Company expects capital expenditures for fiscal 2003 to be approximately $60.0 million. Cash provided by financing activities was $128.2 million for the six months ended May 4, 2003 primarily due from net proceeds from the issuance of convertible debt of $145.2 million offset by the Company's repayment of long-term debt. On June 2, 2003, the Company redeemed the remaining $62.1 million 6% subordinated convertible notes due 2004.

The Company's $100 million revolving credit facility (the "credit facility") which expires July 2005, was amended April 9, 2003 to relax certain financial covenants and definitions as a result of the Company's March 2003 consolidation plan and April 2003 issuance of $150.0 million convertible subordinated notes.

The Company's commitments represent investments in additional manufacturing capacity as well as advanced equipment for the production of high-end photomasks. As of May 4, 2003, Photronics had commitments outstanding for capital expenditures of approximately $34.3 million. Additional commitments for capital expenditures are expected to be incurred during the remainder of fiscal 2003. The Company will continue to use its working capital to finance its capital expenditures. Photronics believes that its currently available resources, together with its capacity for 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.

Contractual Cash Obligations and Other Commercial Commitments and Contingencies

The following tables quantify the Company's future contractual obligations as of May 4, 2003 (in millions):

Contractual Obligations

	Payments Due in Fiscal				
	Total	2003	2004 & 2005	2006 & 2007	Thereafter
Long-term debt	$441.9	$ 5.7	$81.8	$204.4	$150.0
Operating leases	8.4	1.9	3.6	2.0	0.9
Unconditional purchase obligations	46.1	36.6	7.6	1.9	-
Total	$496.4	$44.2	$93.0	$208.3	$150.9

Payments due in 2004 and 2005 include the Company's $62.1 million 6% convertible subordinated notes which were redeemed by the Company on June 1, 2003.

Application of Critical Accounting Policies

The Company's condensed consolidated financial statements are based on the selection and application of significant accounting policies, which require management to make significant estimates and assumptions. The Company believes that the following are some of the more critical judgment areas in the application of our accounting policies that affect its financial condition and results of operations.

Consolidation

The condensed consolidated financial statements include the accounts of Photronics, Inc. and its majority-owned subsidiaries ("Photronics" or the "Company"), in which the Company exercises control. All significant intercompany balances and transactions have been eliminated in consolidation.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in them. Actual results may differ from such estimates.

Derivative Investments and Hedging Activities

The Company records derivatives on the condensed consolidated balance sheets as assets or liabilities, measured at fair value. Gains or losses resulting from changes in the values of those derivatives are reported in the condensed consolidated statements of operations or as accumulated other comprehensive income (loss), a separate component of shareholders' equity, depending on the use of the derivatives and whether they qualify for hedge accounting. In order to qualify for hedge accounting, 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.

Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and amortization. Repairs and maintenance as well as renewals and replacements of a routine nature are charged to operations as incurred, while those which improve or extend the lives of existing assets are capitalized. Upon sale or other disposition, the cost of the asset and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is reflected in income.

For financial reporting purposes, depreciation and amortization are computed on the straight-line method over the estimated useful lives of the related assets. Buildings and improvements are depreciated over 15 to 40 years, machinery and equipment over 3 to 10 years and furniture, fixtures and office equipment over 3 to 5 years. Leasehold improvements are amortized over the life of the lease or the estimated useful life of the improvement, whichever is less. The Company periodically reviews property, plant, and equipment for any potential impairment in carrying value.

Business Acquisitions

Assets, including acquired identifiable intangibles, and liabilities acquired in business combinations are recorded at their estimated fair values at the acquisition date. At May 4, 2003, the Company had approximately $115.9 million of goodwill, representing the cost of acquisitions in excess of the fair values assigned to the underlying net assets of acquired companies. In accordance with SFAS No. 142, goodwill and intangible assets deemed to have indefinite lives are not amortized, but are subject to annual impairment testing. The assessment of goodwill involves the estimation of the fair value of the Company's "reporting unit," as defined by SFAS No. 142. Management completes this assessment annually and based on information available as of the latest assessment date determined that no impairment existed.

Income Taxes

The provision for income taxes is computed on the basis of condensed consolidated financial statement income or loss. Deferred income taxes reflect the tax effects of differences between the carrying amounts of assets and liabilities for financial reporting and the amounts used for income tax purposes. In the event the Company determines that future taxable income is not expected to be sufficient, a valuation allowance for deferred income tax assets may be required.

Foreign Currency Translation

The Company's foreign subsidiaries maintain their accounts in their respective local currencies. Assets and liabilities of such subsidiaries are translated to U.S. dollars at month-end exchange rates. Income and expenses are translated at average rates of exchange prevailing during the year. Foreign currency translation adjustments are accumulated and reported as other comprehensive income (loss) as a separate component of shareholders' equity. The effects of changes in exchange rates on foreign currency transactions are included in income.

Revenue Recognition

The Company recognizes revenue upon shipment of goods to customers.

Effect of New Accounting Standards

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 supersedes previous guidance for financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This statement applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and (or) the normal operation of a long-lived asset.

Effective November 4, 2002, the Company adopted SFAS No's. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" and 146, "Accounting for Costs Associated with Exit or Disposal Activities," and effective February 3, 2003 adopted SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure, an Amendment of FASB Statement No. 123." The adoption of these statements did not have a material impact on the Company's financial statements.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under Statement 133. This statement is effective for contracts entered into or modified after June 30, 2003. Management is currently evaluating the provisions of this statement, and does not believe that it will have a significant impact on the Company's consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This statement requires than an issuer classify financial instruments that are within its scope as a liability. Many of those instruments were classified as equity under previous guidance. Most of the guidance in SFAS No. 150 is effective for all financial instruments entered into or modified after May 31, 2003, and otherwise effective at the beginning of the first interim period beginning after June 15, 2003. Management is currently evaluating the provisions of this statement, and does not believe that it will have an impact on the Company's consolidated financial statements.

In November 2002, the FASB issued FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No. 45 clarifies and expands existing disclosure requirements for guarantees, including loan guarantees.

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities - an Interpretation of Accounting Research Bulletin No. 51." FIN No. 46 clarifies rules for consolidation of special purpose entities.

SFAS No.'s 143, FIN No's. 45 and 46 become effective for the Company's financial statements for fiscal year 2003. The Company does not expect the adoption of these statements to have a material impact on its consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company records 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 are reported in the condensed consolidated statement of operations or as accumulated other comprehensive income (loss), a separate component of shareholders' equity, depending on the use of the derivatives and whether they qualify for hedge accounting. In order to qualify for hedge accounting, 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. In general, the types of risks hedged are those relating to the variability of future cash flows caused by movements in foreign currency exchange rates. The Company documents its risk management strategy and hedge effectiveness at the inception of and during the term of each hedge.

In the fourth quarter of fiscal year 2002, the Company entered into an interest rate swap contract (the "Contract"), which effectively converted $100 million of its 4.75% fixed rate convertible notes to a variable rate. Contract payments are made on a LIBOR based variable rate (2.61% at May 4, 2003) and are received at the 4.75% fixed rate. The Contract is used to adjust the proportion of total debt that is subject to fixed interest rates. This Contract is considered to be a hedge against changes in the fair value of the Company's fixed rate debt obligation. Accordingly, the Contract has been reflected at fair value in the Company's consolidated balance sheet and the related portion of fixed rate debt being hedged is

reflected at an amount equal to the sum of its carrying value plus an adjustment representing the change in fair value of the debt obligation attributable to the interest rate risk being hedged. In addition, changes during any accounting period in the fair value of the Contract, as well as offsetting changes in the adjusted carrying value of the related portion of fixed rate debt being hedged, are recognized as adjustments to interest expense in the Company's consolidated statement of operations. The net effect of this accounting on the Company's operations results is that the interest expense portion of fixed rate debt being hedged is generally recorded based on variable rates.

Foreign Currency Exchange Rate Risk

The Company conducts business in several major international currencies through its worldwide operations and is subject to changes in foreign exchange rates of such currencies. Changes in exchange rates can positively or negatively affect the Company's sales, gross margins and retained earnings. The Company attempts to minimize currency exposure risk by producing its products in the same country or region in which the products are sold and thereby generating revenues and incurring expenses in the same currency and by managing its working capital; there can be no assurance that this approach will be successful, especially in the event of a significant and sudden decline in the value of any of the international currencies of the Company's worldwide operations. The Company does not engage in purchasing forward exchange contracts for speculative purposes. The Company does not believe that a 10% change in exchange rates would have a material effect on its consolidated financial position, results of operations or cash flows.

Interest Rate Risk

The majority of the Company's borrowings are in the form of its convertible subordinated notes, which bear interest rates ranging from 2.25% to 6.0% (subsequent to May 4, 2003, the Company's $62.1 million, 6% convertible subordinated notes were redeemed by the Company) and certain foreign secured and unsecured notes payable which bear interest between approximately 1.3% and 6.95%. In addition, the interest rate swap contract discussed above subjects the Company to market risk as interest rates fluctuate and impact the interest payments due on the $100 million notional amount of the contract. The Company does not expect changes in interest rates to have a material effect on income or cash flows in 2003 although there can be no assurances that interest rates will not change significantly. The Company does not believe that a 10% change in interest rates would have a material effect on its consolidated financial position, results of operations or cash flows.

Item 4 - Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Within the 90 days prior to the date of this report, the Company performed an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in its periodic SEC filings is recorded, processed and reported within the time periods specified in the SEC's rules and forms. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective.

Changes in Internal Controls

There were no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation.

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 26, 2003.

(b) The following directors, constituting the entire Board of Directors, were elected at the Annual Meeting of Shareholders held on March 26, 2003. Also indicated are the affirmative, negative and authority withheld votes for each director.

	For	Against	Authority Withheld
Daniel Del Rosario	23,797,724	-	4,342,738
Walter M. Fiederowicz	26,181,471	-	1,958,991
Joseph A. Fiorita, Jr.	26,210,246	-	1,930,216
Constantine S. Macricostas	23,626,079	-	4,514,383
George Macricostas	26,135,646	-	2,004,816
Willem D. Maris	26,216,766	-	1,923,696
Michael J. Yomazzo	26,211,691	-	1,928,771

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit Number	Description
10.1	Second Amendment Agreement Dated as of April 9, 2003 among Photronics, Inc., The Borrowing Subsidiaries Party Hereto, The Guarantors Party Hereto, The Lenders Party Hereto and JPMorgan Chase Bank, as Administrative Agent.
99.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Report on Form 8-K

(i) Form 8-K dated February 25, 2003.

Form 8-K dated April 2, 2003.

Form 8-K dated April 22, 2003.

Form 8-K dated May 8, 2003

Form 8-K dated May 20, 2003.

Form 8-K dated June 4, 2003.

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/ SEAN T. SMITH

Sean T. Smith
Vice President
Chief Financial Officer
(Duly Authorized Officer and
Principal Financial Officer)

Date: June 16, 2003

CERTIFICATIONS

I, Daniel Del Rosario:

1. I have reviewed this quarterly report on Form 10-Q of Photronics, Inc.

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report.

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

6. The registrants other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

June 16, 2003 /s/ DANIEL DEL ROSARIO

Daniel Del Rosario
Chief Executive Officer

I, Sean T. Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Photronics, Inc.

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report.

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

6. The registrants other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

June 16, 2003 /s/ SEAN T. SMITH

Sean T. Smith
Chief Financial Officer

SECOND AMENDMENT AGREEMENT

Dated as of April 9, 2003

among

PHOTRONICS, INC.

The Borrowing Subsidiaries Party Hereto

The Guarantors Party Hereto

The Lenders Party Hereto

and

JPMORGAN CHASE BANK,
as Administrative Agent

SECOND AMENDMENT AGREEMENT, dated as of April 9, 2003, among PHOTRONICS, INC., a Connecticut corporation (the "Company"), the BORROWING SUBSIDIARIES party hereto, the GUARANTORS party hereto, the LENDERS party hereto, and JPMORGAN CHASE BANK, as Administrative Agent.

WHEREAS, the Company, the Borrowing Subsidiaries, the Lenders and the Administrative Agent have entered into that certain Credit Agreement dated as of July 12, 2002 (as amended by that certain First Amendment Agreement dated as of February 3, 2003 and as in effect prior to the effectiveness of this Agreement, the "Existing Credit Agreement," and, as amended by this Agreement, the "Amended Credit Agreement"), pursuant to which the Lenders have agreed, subject to the terms and conditions therein set forth, to make or participate in Loans to, and to issue or participate in Letters of Credit for the account of, the Borrowers;

WHEREAS, the Guarantors have entered into a Guarantee Agreement, pursuant to which the Guarantors have agreed to guaranty the obligations of the Loan Parties under the Existing Credit Agreement and the other Loan Documents;

WHEREAS, the Company, the Borrowing Subsidiaries, the Guarantors, the Lenders and the Administrative Agent have agreed to enter into this Agreement to provide for, among other things, the modification of certain covenants and definitions; and

WHEREAS, the Loan Documents (including, without limitation, this Agreement and the Amended Credit Agreement), as amended and supplemented by this Agreement and as each may be amended or supplemented from time to time, are referred to herein as the "Amended Loan Documents";

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

Amendments to Existing Credit Agreement.

Each of the Borrowers and, subject to the satisfaction of the conditions set forth in Article III, the Lenders hereby consents and agrees to the amendments to the Existing Credit Agreement set forth below:

(a) Section 1.01 of the Existing Credit Agreement is hereby amended to add the following new definition in appropriate alphabetical order:

"Consolidated Capital Expenditures" means, for any period, the dollar amount of gross expenditures (including Capital Lease Obligations) made by the Company and its consolidated Subsidiaries for the acquisition of any fixed assets, real property, plant and equipment, and all renewals, improvements and replacements thereto (but not repairs thereof) incurred during such period in each case which are required to be capitalized for financial reporting purposes in accordance with GAAP.

(b) The definition of "Consolidated EBITDA" contained in Section 1.01 of the Existing Credit Agreement is hereby amended to insert ", plus (f) the aggregate amount of noncash restructuring charges taken during the fiscal quarter ending on May 4, 2003 in connection with the closure of a manufacturing facility located in Phoenix, Arizona and related North American manufacturing network consolidation and reduction-in-workforce up to $40,000,000" immediately subsequent to "$10,500,000".

(c) The definition of "Leverage Ratio" contained in Section 1.01 of the Existing Credit Agreement is hereby amended to insert "minus Permitted Investments as of such date" immediately subsequent to "Consolidated Indebtedness as of such date".

(d) Section 4.02(b) of the Existing Credit Agreement is hereby amended to insert ", the Company will be in pro forma compliance with the covenants contained in Sections 6.13, 6.14, 6.15, 6.16, 6.17 and 6.18 recomputed as if such Borrowing or Letter of Credit had occurred on the first day of the period for testing such compliance" immediately subsequent to "no Default shall have occurred and be continuing".

(e) Section 5.01(c) of the Existing Credit Agreement is hereby amended to substitute ", 6.18 and 6.20" in place of "and 6.18".

(f) The Existing Credit Agreement is hereby amended to add new Section 5.10 to read as follows:

SECTION 5.10. Retirement of 6% Subordinated Notes. Until no 6% Subordinated Note is outstanding, the Company will use the proceeds received from any incurrence of Consolidated Subordinated Indebtedness on or prior to May 15, 2003 to prepay, purchase, redeem, retire or otherwise acquire the 6% Subordinated Notes within 90 days of such incurrence.

(g) Section 6.15 of the Existing Credit Agreement is amended and restated to read as follows:

SECTION 6.15. Leverage Ratio. The Company will not permit the Leverage Ratio as determined as of the end of each fiscal quarter of the Company to be greater than the applicable ratio set forth in the following table:

If such fiscal quarter ends on:		Applicable Ratio
May 4, 2003 or August 3, 2003		3.25 to 1.00
November 2, 2003		3.00 to 1.00
February 1, 2004 or May 2, 2004		2.50 to 1.00
August 1, 2004 or thereafter		2.25 to 1.00

(h) Section 6.16 of the Existing Credit Agreement is hereby amended and restated to read as follows: "SECTION 6.16. Intentionally Omitted."

(i) Section 6.17 of the Existing Credit Agreement is hereby amended to substitute "1.00" in place of ".75".

(j) The Existing Credit Agreement is hereby amended to add new Section 6.20 to read as follows:

SECTION 6.20. Capital Expenditures. The Company will not permit Consolidated Capital Expenditures for any fiscal year of the Company to exceed (a) for the fiscal year ending on November 2, 2003, $60,000,000 and (b) for each fiscal year ending thereafter, $75,000,000.

ARTICLE II

Representations and Warranties

Each Borrower (as to itself and its subsidiaries) hereby represents and warrants that as of the Effective Date (as defined in Article III of this Agreement):

Section 2.01. Existing Representations and Warranties. Each of the representations and warranties contained in Article III of the Existing Credit Agreement and in each of the other Loan Documents is true and correct, except that any representation or warranty limited by its terms to a specific date shall be true and correct as of such specific date.

Section 2.02. No Defaults. No event has occurred and no condition exists which would constitute a Default or an Event of Default as defined in the Existing Credit Agreement, and no event has occurred and no condition exists which would constitute a Default or an Event of Default as defined in the Amended Credit Agreement.

Section 2.03. Power and Authority; No Conflicts. The execution, delivery and performance by each of the Loan Parties of the Amended Loan Documents to which it is a party are within such Loan Party's corporate, partnership or limited liability company powers and have been duly authorized by all necessary corporate, partnership or limited liability company and, if required, stockholder, partner or member action. Each Amended Loan Document to which any Loan Party is a party has been duly executed and delivered by such Loan Party and constitutes a legal, valid and binding obligation of such Loan Party, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

Section 2.04. Governmental Approvals; No Conflicts. The execution, delivery and performance by each of the Loan Parties of the Amended Loan Documents to which it is a party (a) do not require the Company or any Subsidiary to obtain or make any consent or approval of, registration or filing with, or other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect or that could not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect, (b) will not violate any law or regulation applicable to the Company or any Subsidiary, or the charter, by-laws or other organizational documents of the Company or any Subsidiary, or any order of any Governmental Authority applicable to the Company or any Subsidiary, except as to any law, regulation or order the violation of which could not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect, (c) will not violate or result in a default under any indenture, agreement or other instrument binding upon the Company or any Subsidiary or their respective assets, or give rise to a right thereunder to require any payment to be made by the Company or any of its Subsidiaries, except for any such violations, defaults or rights to require payment that could not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect, and (d) will not result in the creation or imposition of any Lien on any asset of the Company or any of its Subsidiaries.

Section 2.05. Financial Condition; No Material Adverse Change. (a) The Company has heretofore furnished to the Lenders the consolidated balance sheets of the Company and its consolidated Subsidiaries and the related statements of income, stockholders equity and cash flows (i) as of and for the fiscal years ended November 3, 2002, October 31, 2001, October 31, 2000 and October 31, 1999, such consolidated financial statements being reported on by Deloitte & Touche LLP, independent public accountants, and (ii) as of and for the fiscal quarter and the portion of the fiscal year ended February 2, 2003, certified by its chief financial officer. Such financial statements present fairly, in all material respects, the financial condition and results of operations and cash flows of the Company and its consolidated Subsidiaries as of such dates and for such periods in accordance with GAAP, subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (ii) above.

(b) Since February 2, 2003, there has been no material adverse change in the business, assets, operations, prospects or condition, financial or otherwise, of the Company and the Subsidiaries, taken as a whole.

ARTICLE III

Conditions Precedent

The effectiveness of this Agreement is subject to the condition precedent that the Administrative Agent and the Lenders shall have received on or before April 9, 2003 (the "Effective Date") each of the following, in form and substance satisfactory to the Administrative Agent and the Required Lenders:

(a) counterparts of this Agreement executed by each of the Company, the Borrowing Subsidiaries, the Guarantors, the Administrative Agent and the Required Lenders;

(b) a favorable written opinion (addressed to the Administrative Agent and the Lenders and dated the Effective Date) of Brenner Saltzman and Wallman, counsel for the Loan Parties, substantially in the form of **Exhibit A**; the Company hereby requests such counsel to deliver such opinion;

(c) such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the authorization of the execution, delivery and performance by each Loan Party of the Amended Loan Documents to which it is a party; and

(d) evidence that all fees and other amounts required to be paid under Section 4.04 of this Agreement shall have been paid in full.

ARTICLE IV

Miscellaneous

Section 4.01. Defined Terms. Capitalized terms used herein and not defined herein shall have the meanings assigned to such terms in the Existing Credit Agreement.

Section 4.02. Nonwaiver. The terms of this Agreement shall not operate as a waiver by the Administrative Agent, the Issuing Bank or any Lender of, or otherwise prejudice, the rights, remedies or powers of the Administrative Agent, the Issuing Bank or any Lender under the Amended Credit Agreement, under any other Amended Loan Document or under applicable law. Except as set forth in Article I: (i) no terms and provisions of the Loan Documents are modified or changed by this Agreement; and (ii) the terms and provisions of the Loan Documents shall continue in full force and effect.

Section 4.03. Waivers; Amendments. Any provision of this Agreement may be amended or modified only by an agreement or agreements in writing signed by the Company and the Required Lenders, or by the Company and the Administrative Agent acting with the consent of the Required Lenders.

Section 4.04. Fees and Expenses. The Company agrees to pay on the Effective Date to the Administrative Agent, for the account of each Lender who executes this Agreement on or prior to the Effective Date, an amendment fee equal to .25% of such Lender's Commitment. The Company shall pay all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the preparation and administration of this Agreement, the other Amended Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated).

Section 4.05. Notices. All notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy in accordance with the terms of the Amended Credit Agreement.

Section 4.06. Headings. Article and Section headings used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

Section 4.07. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

Section 4.08. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. The Amended Loan Documents and the separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter thereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter thereof. Subject to the satisfaction of the conditions set forth in Article III of this Agreement, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the Company, the Borrowing Subsidiaries, the Guarantors and the Required Lenders, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 4.09. Governing Law. This Agreement shall be construed in accordance with and governed by the law of the State of New York.

Section 4.10. Reaffirmation. Each of the Loan Parties hereby unconditionally and absolutely affirms its obligations under each Loan Document to which it is a party, as herein modified, and agrees that such obligations are valid and binding upon it, and enforceable against it, without defense, offset or counterclaim and hereby acknowledges and consents to, and waives all objections to, all of the transactions contemplated by or consented to under or in connection with this Agreement.

Section 4.11. Consent. In accordance with the definition of "Consolidated Subordinated Indebtedness", each of the Lenders hereby consents to (a) the terms and conditions of Indebtedness in the principal amount of up to $150,000,000 issued on or prior to May 15, 2003 with subordination provisions and fundamental change redemption provisions substantially in accordance with comparable provisions of that certain draft Indenture dated as of April 2003 between the Company and JPMorgan Chase Bank, as Trustee, delivered to the Lenders on the date hereof and (b) the use of proceeds of the Consolidated Subordinated Indebtedness in accordance with Section 5.10 of the Amended Credit Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

COMPANY:

PHOTRONICS, INC., a Connecticut corporation

By ________________________________
Name:
Title:

BORROWING SUBSIDIARIES:

PHOTRONICS (UK) LIMITED, a United Kingdom corporation

By ________________________________
Name:
Title:

By ________________________________
Name:
Title:

PKL, LTD., a Korean corporation

By ________________________________
Name:
Title:

PHOTRONICS SEMICONDUCTOR MASK CORPORATION, a Republic of China corporation

By ___________________________________
Name:
Title:

GUARANTORS:

PHOTRONICS CALIFORNIA, INC., a California corporation

By ___________________________________
Name:
Title:

PHOTRONICS TEXAS, INC., a Texas corporation

By ___________________________________
Name:
Title:

PHOTRONICS TEXAS I, LLC, a Texas limited liability company

By ___________________________________
Name:
Title:

PHOTRONICS TEXAS, I, L.P., a Texas limited partnership

By ___________________________________
Name:
Title:

PHOTRONICS INVESTMENT SERVICES, INC., a Nevada corporation

By ___________________________________
Name:
Title:

PHOTRONICS-TOPPAN TEXAS, INC., a Texas corporation

By ___________________________________
Name:
Title:

PHOTRONICS TEXAS II, LLC, a Texas limited liability company

By ___________________________________
Name:
Title:

PHOTRONICS TEXAS II, L.P., a Texas limited partnership

By ___________________________________
Name:
Title:

PHOTRONICS ARIZONA, INC., an Arizona corporation

By ___________________________________
Name:
Title:

ALIGN-RITE INTERNATIONAL, INC., a California corporation

By ___________________________________
Name:
Title:

LENDERS:

JPMORGAN CHASE BANK, individually and as Administrative Agent

By _________________________________
Name:
Title:

HSBC BANK USA

By _________________________________
Name:
Title:

THE BANK OF NEW YORK

By ________________________________
Name:
Title:

FLEET NATIONAL BANK

By ________________________________
Name:
Title:

CITIZENS BANK OF MASSACHUSETTS

By ________________________________
Name:
Title:

LOCAL FRONTING LENDERS:

JPMORGAN CHASE BANK, SEOUL BRANCH

By ________________________________
Name:
Title:

JPMORGAN CHASE BANK, TAIPEI BRANCH

By ________________________________
Name:
Title:

EXHIBIT 99.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Daniel Del Rosario, Chief Executive Officer of Photronics, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

(1) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended May 4, 2003 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DANIEL DEL ROSARIO

Daniel Del Rosario
Chief Executive Officer
June 16, 2003

This certification accompanies the Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

EXHIBIT 99.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Sean T. Smith, Chief Financial Officer of Photronics, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

(1) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended May 4, 2003 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ SEAN T. SMITH

Sean T. Smith
Chief Financial Officer
June 16, 2003

This certification accompanies the Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.