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 ......August 2, 1998..........

OR

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

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

Commission file number...0-15451...

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

...Connecticut...	...06-0854886...
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

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

....
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ..X.. No .....

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at August 2,1998
Common Stock, $.01 par value	24,417,377 Shares

PHOTRONICS, INC.
AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

PHOTRONICS, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheet

(in thousands)

ASSETS

	August 2, 1998 (Unaudited)	November 2, 1997
Current assets:		
Cash, cash equivalents and short-term investments	$ 36,399	$ 86,034
Accounts receivable (less allowance for doubtful accounts of $235 in 1998 and 1997)	35,361	34,563
Inventories	15,019	11,302
Other current assets	7,956	7,038
Total current assets	94,735	138,937
Property, plant and equipment (less accumulated depreciation of $94,233 in 1998 and $71,900 in 1997)	257,178	203,813
Intangible assets (less accumulated amortization of $5,467 in 1998 and $4,048 in 1997)	20,600	8,218
Investments and other assets	10,505	14,244
	$383,018	$365,212

See accompanying notes to condensed consolidated financial statements.

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

	August 2, 1998 (Unaudited)	November 2, 1997
Current liabilities:		
Current portion of long-term debt	$ 2,030	$ 272
Accounts payable	43,152	34,173
Income taxes payable	-	3,454
Accrued salaries and wages	5,585	7,423
Other accrued liabilities	12,840	12,217
Total current liabilities	63,607	57,539
Long-term debt	104,301	106,194
Deferred income taxes and other liabilities	14,275	15,504
Total liabilities	182,183	179,237
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, $0.01 par value, 2,000,000 shares authorized, none issued and outstanding	-	-
Common stock, $0.01 par value, 75,000,000 shares authorized, 24,417,377 shares issued in 1998 and 24,300,970 shares in 1997	244	243
Additional paid-in capital	87,187	85,129
Retained earnings	117,042	99,609
Unrealized gains on investments	1,212	3,251
Cumulative foreign currency translation adjustment	(4,689)	(2,008)
Deferred compensation on restricted stock	(161)	(249)
Total shareholders' equity	200,835	185,975
	$383,018	$365,212

See accompanying notes to condensed consolidated financial statements.

PHOTRONICS, INC. AND SUBSIDIARIES
Condensed Consolidated Statement of Earnings
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	August 2, 1998	August 3, 1997	August 2, 1998	August 3, 1997
Net sales	$57,681	$53,081	$169,920	$142,144
Costs and expenses:				
Cost of sales	36,589	32,420	105,415	88,050
Selling, general and administrative	7,448	6,671	21,699	17,950
Research and development	3,330	2,788	9,415	7,712
Non-recurring restructuring charge	-	-	3,800	-
Operating income	10,314	11,202	29,591	28,432
Interest and other income (expense), net	(870)	(263)	(1,458)	1,116
Income before income taxes	9,444	10,939	28,133	29,548
Provision for income taxes	3,600	4,100	10,700	11,200
Net income	$ 5,844	$ 6,839	$ 17,433	$18,348
Earnings per share - basic	$ 0.24	$ 0.29	$ 0.72	$ 0.77
Earnings per share - diluted	$ 0.24	$ 0.27	$ 0.70	$ 0.73
Weighted average number of common shares outstanding-basic	24,412	23,853	24,356	23,844
Weighted average number of common shares outstanding-diluted	29,057	27,896	29,082	26,067

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended	
	August 2, 1998	August 3, 1997
Cash flows from operating activities:		
Net income	$17,433	$18,348
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	23,904	15,142
Non-recurring restructuring charge	3,800	-
Gain on sale of investments	(838)	(1,308)
Other	594	724
Changes in assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(1,248)	(9,008)
Inventories	(3,412)	(1,429)
Other current assets	(939)	61
Accounts payable and other liabilities	1,085	(380)
Net cash provided by operating activities	40,379	22,150
Cash flows from investing activities:		
Acquisition of photomask operations	(32,455)	(1,065)
Deposits on and purchases of property, plant and equipment	(61,395)	(57,416)
Net change in short-term investments	18,016	(20,440)
Proceeds from sale of investments	932	1,658
Other	298	(875)
Net cash used in investing activities	(74,604)	(78,138)
Cash flows from financing activities:		
Repayment of long-term debt	(198)	(28)
Issuance of subordinated notes, net of deferred issuance costs	-	99,697
Proceeds from issuance of common stock	2,059	2,873
Net cash provided by financing activities	1,861	102,542
Effect of exchange rate changes on cash flows	745	-
Net increase (decrease) in cash and cash equivalents	(31,619)	46,554
Cash and cash equivalents at beginning of period	57,845	18,766
Cash and cash equivalents at end of period	$26,226	$65,320
Cash paid during the period for:		
Interest	$ 6,305	$ 157
Income taxes	$13,114	$ 6,981

See accompanying notes to condensed consolidated financial statements.

PHOTRONICS, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
Three and Nine Months Ended August 2, 1998 and August 3, 1997
(Unaudited)

NOTE 1 - BASIS OF FINANCIAL STATEMENT PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles 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 generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine month periods ended August 2, 1998 are not necessarily indicative of the results that may be expected for the year ending November 1, 1998. For further information, refer to the consolidated financial statements and footnotes thereto included in Company's Annual Report on Form 10-K for the year ended November 2, 1997.

NOTE 2 - EARNINGS PER SHARE

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

A reconciliation of basic and diluted EPS for the three and nine months ended August 2, 1998 and August 3, 1997 is as follows (in thousands, except per share amounts):

	Net Income	Average Shares Outstanding	Earnings Per Share
Three Months			
1998:			
Basic	$ 5,844	24,412	$ 0.24
Effect of potential dilution from exercise of stock options and conversion of notes	987	4,645	
Diluted	$ 6,831	29,057	$ 0.24

	Net Income	Average Shares Outstanding	Earnings Per Share
1997:			
Basic	$ 6,839	23,853	$ 0.29
Effect of potential dilution from exercise of stock options and conversion of notes	780	4,043	
Diluted	$ 7,619	27,896	$ 0.27
Nine Months			
1998:			
Basic	$17,433	24,356	$ 0.72
Effect of potential dilution from exercise of stock options and conversion of notes	3,011	4,726	
Diluted	$20,444	29,082	$ 0.70
1997:			
Basic	$18,348	23,844	$ 0.77
Effect of potential dilution from exercise of stock options and conversion of notes	780	2,223	
Diluted	$19,128	26,067	$ 0.73

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

NOTE 3 - ACQUISITION OF MOTOROLA'S PHOTOMASK OPERATIONS

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

NOTE 4 - NON-RECURRING RESTRUCTURING CHARGE

On March 13, 1998, the Company announced its plans to optimize its North American manufacturing network by re-organizing its two California operations. The Company will dedicate its Milpitas facility to the production of high-end technology photomasks and dedicate its Sunnyvale facility to the production of mature technology photomasks. In addition, the Company announced its plans to consolidate its Colorado Springs, Colorado photomask manufacturing operations into its other North American manufacturing facilities. The Company also intends to sell its Large Area Mask (LAM) Division. The Company has determined that the LAM business, which is also located in Colorado Springs, does not represent a long-term strategic fit with its core photomask business. The Company will continue to maintain a sales office, photomask design center and recertification operation in Colorado Springs. The Company recorded a $3.8 million charge in the second quarter of 1998 for the restructuring.

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition Three and Nine Months ended August 2, 1998 versus August 3, 1997

A significant portion of the changes in Photronics, Inc. ("Photronics") results of operations for the three and nine months ended August 2, 1998, as compared to the same periods during the last fiscal year, were attributable to expansion of international operations in Europe and Asia, together with the acquisition, on December 31, 1997, of the internal photomask manufacturing operations of Motorola, Inc. in Mesa, Arizona and the commencement of operations in its newly constructed Austin, Texas facility in February 1998. Revenues and costs also have been affected by the increased demand for higher technology photomasks which require more advanced manufacturing capabilities and generally command higher average selling prices. To meet this demand and position the Company for future growth, the Company continues to make substantial investments in high-end manufacturing technology and capability both at existing and new facilities.

Net sales for the three and nine months ended August 2, 1998 increased 9% to $57.7 million and 20% to $169.9 million, respectively, compared with $53.1 million and $142.1 million for the corresponding prior year periods. The increase for the three months ended August 2, 1998 resulted primarily from new facilities in Mesa, Arizona and Austin, Texas, as well as growth in Photronics' international operations. The year-to-date increase resulted from the new facilities in Mesa and Austin, continued growth from Photronics' international operations and 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.

The slow-down being experienced by the semiconductor industry has impacted the release of new integrated circuit designs. This has resulted in a current weakness in photomask demand and accentuated competitive pressures in the industry. The company cannot predict the duration of such industry conditions or the impact on its future operating results.

Gross profit for the three and nine months ended August 2, 1998, increased 2% to $21.1 million, and 19% to $64.5 million, respectively, compared with $20.7 million and $54.1 million for the same periods in the prior fiscal year. Gross margins decreased to 36.6% of sales in the third quarter ended August 2, 1998, compared with 38.9% in the third quarter of 1997. For the nine month period ended August 2, 1998 the gross margin was 38.0% compared to 38.1% for the first nine months in the prior year. The decrease in gross margins resulted principally from higher depreciation and maintenance costs associated with the Company's substantial investment in new facilities and equipment to manufacture advanced photomasks. The Company anticipates that its increased fixed operating costs resulting from its continuing expansion will, over time, be offset by increases in net sales. In addition, the Company is experiencing lower margins at the formally captive Mesa, Arizona operation acquired earlier in the year.

Selling, general and administrative expenses increased 12% to $7.4 million and 21% to $21.7 million, respectively, for the three and nine months ended August 2, 1998, compared with $6.7 million and $18.0 million for the same periods in the prior fiscal year. However, as a percentage of net sales, selling, general and administrative expenses were relatively constant at 12.9% for the three months ended August 2, 1998, compared with 12.6% for the same period in the prior fiscal year. Selling, general and administrative expenses were 12.8% of sales for the nine month period ended August 2, 1998 and 12.6% for 1997. The increases in costs resulted from the addition of the new operations in Austin and Mesa, as well as increased staffing and other costs associated with the Company's growth.

Research and development expenses for the three and nine months ended August 2, 1998, increased 19% to $3.3 million and 22% to $9.4 million, respectively, compared with $2.8 million and $7.7 million for the same periods in the prior fiscal year. These increases reflect continued engineering on more complex photomasks, including phase shift, optical proximity correction and deep ultra-violet technologies, as well as on Beta Squared's development of PLASMAX. As a percentage of net sales, research and development expenses were 5.8% and 5.5% for the three and nine months ended August 2, 1998, respectively, compared with 5.3% and 5.4% in the corresponding prior fiscal periods.

As previously announced, Photronics instituted a plan to optimize its North American operations. The plan includes the transfer of the photomask manufacturing operations in Colorado Springs to other sites within the network and the disposition of the Large Area Mask business unit which is also housed in Colorado Springs. In addition, the Company reorganized its Silicon Valley operations by having the Milpitas facility concentrate on advanced photomask applications, and the facility in Sunnyvale focus on more mature technologies. A pretax restructuring charge of $3.8 million ($2.4 million after tax or $0.08 per share on a diluted basis) was recorded in the second quarter to cover the associated costs.

Net other expenses increased $0.6 million and $2.6 million for the three and nine months ended August 2, 1998, principally as a result of interest expense on the newly issued convertible notes, partially offset by interest income.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash, cash equivalents and short-term investments decreased to $36.4 million from $86.0 million during the first nine months of fiscal 1998, due primarily to the acquisition of the Motorola photomask operations, as well as capital expenditures for facilities and equipment in connection with the Company's expansion of its manufacturing capacity. These expenditures, which aggregated $93.8 million were partially offset by positive cash generated from operations of $40.4 million.

Accounts receivable increased 2% to $35.4 million as of August 2, 1998 from $34.6 million as of November 2, 1997, and inventories increased $3.7 million, or 33% from November 2, 1997 to $15.0 million as of August 2, 1998, primarily as a result of higher order activity and the addition of the new manufacturing locations in Austin and Mesa.

Property, plant and equipment, net, increased to $257.2 million as of August 2, 1998, from $203.8 million as of November 2, 1997. Deposits on and purchases of equipment, construction in progress of new facilities, and the acquisition of Motorola's photomask operation aggregated $ 93.8 million during the nine months ended August 2, 1998. These increases were offset by depreciation expense totaling $22.5 million in the first nine months of fiscal 1998. The increase in net intangible assets to $20.6 million as of August 2, 1998 from $8.2 million as of November 2, 1997, was due primarily to the Motorola acquisition.

Investments and other assets decreased to $10.5 million as of August 2, 1998 from $14.2 million as of November 2, 1997, due to the sale of certain investment securities, the amortization of deferred issuance costs and the valuation of investment securities at their market values.

Current liabilities, exclusive of current portion of long-term debt, increased $4.3 million to $61.6 million as of August 2, 1998, primarily due to the restructuring charge and an increase in accounts payable (due primarily to timing).

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. As of August 2 1998, the Company had commitments outstanding for capital expenditures of approximately $50 million. Additional commitments are expected to be incurred during 1998.

The Company has a revolving credit facility that permits borrowings of up to $30.0 million at any time through October 31, 1998. There have been no amounts outstanding during 1998. Any amounts outstanding at October 31, 1998 will be due and payable on such date. 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 STANDARDS

In June, 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income," and SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information." In April, 1998, the AICPA issued SOP 98-5, "Reporting on the Costs of Start-Up Activities." Each of these statements establishes new standards for financial statement reporting and disclosure of certain information. The Company has evaluated these standards and they are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

YEAR 2000 COSTS

The Company is currently implementing new worldwide computerized manufacturing and information systems which will be completed in late 1998 and early 1999. Such systems have the ability to process transactions with dates for the year 2000 and beyond at no incremental cost and, accordingly, "Year 2000" issues are not expected to have any material impact on the Company's future financial condition or results or operations.

"SAFE HARBOR" STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995:

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

Item 5. Other Information

Historically, the Company has separately itemized and discussed in its Proxy Statements all matters that the Board of Directors knows will be presented for consideration at a shareholder meeting. The Company has also requested, and received, discretionary voting authority as to any other matters that may properly come before the shareholders meeting. Rule 14a-4 of the Securities and Exchange Commission's proxy rules allows the Company to use this discretionary voting authority only if the Company does not have notice of such other matter or matters at least 45 days before the first anniversary of the date on which the Company first mailed its proxy materials for the prior year's annual meeting of stockholders. This requirement is separate and apart from the Securities and Exchange Commission's requirements that a stockholder must meet in order to have a stockholder proposal included in the Company's proxy statement under Rule 14a-8. Accordingly, for shareholder proposals to be presented at the 1999 Annual Meeting of Shareholders, notice of such proposal must be received by the Company no later than December 29, 1998 to prevent the Company from being able to exercise its discretionary voting authority with respect to that proposal. Notice of the proposals should be mailed to Photronics, Inc., to the attention of Jeffrey P. Moonan, 1061 East Indiantown Road, Jupiter, Florida 33477.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits
27 Financial Data Schedule

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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PHOTRONICS, INC.
(Registrant)

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

Date: September 15, 1998

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

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NOV-01-1998
AUG-02-1998
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10,173
35,596
235
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