# UNITED STATES
# 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 July 29, 2012***
***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, INC.
*(Exact name of registrant as specified in its charter)*

| | |
|---|---|
| **Connecticut** | **06-0854886** |
| *(State or other jurisdiction of incorporation or organization)* | *(IRS Employer Identification No.)* |
| **15 Secor Road, Brookfield, Connecticut** | **06804** |
| *(Address of principal executive offices)* | *(Zip Code)* |
| Registrant's telephone number, including area code | **(203) 775-9000** |

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
**Yes x No o**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer," "accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

| | | | |
|---|---|---|---|
| Large Accelerated Filer o | Accelerated Filer x | Non-Accelerated Filer o | Smaller Reporting Company o |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
**Yes o No x**

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 30, 2012 |
|---|---|
| **Common Stock, $0.01 par value** | **60,455,107 Shares** |

**Forward-Looking Statements**

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements made by or on behalf of Photronics, Inc. ("Photronics" or the "Company"). These statements are based on management's beliefs, as well as assumptions made by, and information currently available to, management. Forward-looking statements may be identified by words like "expect", "anticipate", "believe", "plan", "projects", and similar expressions, or the negative of such terms, or other comparable terminology. All forward-looking statements involve risks and uncertainties that are difficult to predict. In particular, any statement contained in this quarterly report on Form 10-Q, in press releases, written statements, or other documents filed with the Securities and Exchange Commission, or in the Company's communications and discussions with investors and analysts in the normal course of business through meetings, phone calls, or conference calls regarding the consummation and benefits of future acquisitions, expectations with respect to future sales, financial performance, operating efficiencies, or product expansion, are subject to known and unknown risks, uncertainties, and contingencies, many of which are beyond the control of the Company. These factors may cause actual results, performance, or achievements to differ materially from anticipated results, performance, or achievements expressed or implied by such forward-looking statements. Factors that might affect such forward-looking statements include, but are not limited to, overall economic and business conditions; economic and political conditions in international markets; the demand for the Company's products; competitive factors in the industries and geographic markets in which the Company competes; changes in federal, state and international tax requirements (including tax rate changes, new tax laws and revised tax law interpretations); interest rate fluctuations and other capital market conditions, including changes in the market price of the Company's common stock; foreign currency exchange rate fluctuations; changes in technology; the timing, impact, and other uncertainties of future acquisitions; the seasonal and cyclical nature of the semiconductor and flat panel display industries; management changes; damage or destruction to the Company's facilities, or the facilities of its customers or suppliers, by natural disasters, labor strikes, political unrest, or terrorist activity; the ability of the Company to (i) place new equipment in service on a timely basis; (ii) obtain additional financing; (iii) achieve anticipated synergies and other cost savings in connection with acquisitions and productivity programs; (iv) fully utilize its tools; (v) achieve desired yields, pricing, product mix, and market acceptance of its products and (vi) obtain necessary export licenses. Any forward-looking statements should be considered in light of these factors. Accordingly, there is no assurance that the Company's expectations will be realized. The Company does not assume responsibility for the accuracy and completeness of the forward-looking statements and does not assume an obligation to provide revisions to any forward-looking statements, except as otherwise required by securities and other applicable laws.

**PHOTRONICS, INC.**
**AND SUBSIDIARIES**

**INDEX**

## PART I. FINANCIAL INFORMATION

### Item 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

| | July 29, 2012 | October 30, 2011 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 197,295 | $ 189,928 |
| Accounts receivable, net of allowance of $3,836 in 2012 and $4,055 in 2011 | 82,522 | 85,540 |
| Inventories | 22,743 | 22,100 |
| Deferred income taxes | 616 | 609 |
| Other current assets | 7,578 | 7,030 |
| Total current assets | 310,754 | 305,207 |
| | | |
| Property, plant and equipment, net | 384,792 | 368,680 |
| Investment in joint venture | 93,271 | 79,984 |
| Intangible assets, net | 38,661 | 42,462 |
| Deferred income taxes | 11,749 | 11,239 |
| Other assets | 8,463 | 10,282 |
| Total assets | $ 847,690 | $ 817,854 |
| | | |
| **LIABILITIES AND EQUITY** | | |
| | | |
| Current liabilities: | | |
| Current portion of long-term borrowings | $ 7,470 | $ 5,583 |
| Accounts payable | 64,169 | 54,772 |
| Accrued liabilities | 26,799 | 35,546 |
| Total current liabilities | 98,438 | 95,901 |
| | | |
| Long-term borrowings | 170,989 | 152,577 |
| Deferred income taxes | 684 | 737 |
| Other liabilities | 7,612 | 8,883 |
| Total liabilities | 277,723 | 258,098 |
| | | |
| Commitments and contingencies | | |
| | | |
| 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, 60,137 shares issued and outstanding at July 29, 2012 and 59,651 at October 30, 2011 | 601 | 597 |
| Additional paid-in capital | 491,731 | 486,674 |
| Retained earnings | 37,640 | 13,605 |
| Accumulated other comprehensive income | 2,408 | 10,171 |
| Total Photronics, Inc. shareholders' equity | 532,380 | 511,047 |
| Noncontrolling interests | 37,587 | 48,709 |
| Total equity | 569,967 | 559,756 |
| Total liabilities and equity | $ 847,690 | $ 817,854 |

*See accompanying notes to condensed consolidated financial statements.*

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

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | July 29, 2012 | July 31, 2011 | July 29, 2012 | July 31, 2011 |
| Net sales | $ 116,616 | $ 135,935 | $ 346,220 | $ 389,861 |
| Costs and expenses: | | | | |
| Cost of sales | (84,312) | (97,695) | (258,598) | (284,540) |
| Selling, general and administrative | (11,784) | (11,833) | (35,311) | (33,995) |
| Research and development | (5,221) | (3,527) | (14,106) | (11,238) |
| Consolidation, restructuring and related charges | (7) | - | (1,182) | - |
| Operating income | 15,292 | 22,880 | 37,023 | 60,088 |
| Other income (expense): | | | | |
| Debt extinguishment loss | - | (4,973) | - | (35,259) |
| Interest expense | (2,012) | (1,907) | (5,587) | (5,499) |
| Investment and other income (expense), net | 1,245 | 1,517 | 3,444 | 3,480 |
| Income before income taxes | 14,525 | 17,517 | 34,880 | 22,810 |
| Income tax provision | (3,258) | (4,895) | (9,242) | (11,637) |
| Net income | 11,267 | 12,622 | 25,638 | 11,173 |
| Net income attributable to noncontrolling interests | (317) | (1,357) | (1,603) | (4,235) |
| Net income attributable to Photronics, Inc. | $ 10,950 | $ 11,265 | $ 24,035 | $ 6,938 |
| Earnings per share: | | | | |
| Basic | $ 0.18 | $ 0.19 | $ 0.40 | $ 0.12 |
| Diluted | $ 0.16 | $ 0.16 | $ 0.37 | $ 0.12 |
| Weighted-average number of common shares outstanding: | | | | |
| Basic | 60,121 | 58,987 | 60,008 | 56,163 |
| Diluted | 76,436 | 76,744 | 76,460 | 57,724 |

*See accompanying notes to condensed consolidated financial statements.*

**PHOTRONICS, INC. AND SUBSIDIARIES**
**Condensed Consolidated Statements of Comprehensive Income**
***(in thousands)***
***(unaudited)***

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | July 29, 2012 | July 31, 2011 | July 29, 2012 | July 31, 2011 |
| Net income | $ 11,267 | $ 12,622 | $ 25,638 | $ 11,173 |
| Other comprehensive income, net of tax of $0: | | | | |
| Foreign currency translation adjustments | (7,035) | 3,370 | (7,445) | 23,157 |
| Amortization of cash flow hedge | 32 | 32 | 96 | 96 |
| Other comprehensive income (loss) | (7,003) | 3,402 | (7,349) | 23,253 |
| Comprehensive income | 4,264 | 16,024 | 18,289 | 34,426 |
| Less: comprehensive income (loss) attributable to noncontrolling interests | (681) | 1,456 | 1,962 | 7,244 |
| Comprehensive income attributable to Photronics, Inc. | $ 4,945 | $ 14,568 | $ 16,327 | $ 27,182 |

*See accompanying notes to condensed consolidated financial statements.*

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

| | Nine Months Ended | |
|---|---|---|
| | July 29, 2012 | July 31, 2011 |
| Cash flows from operating activities: | | |
| Net income | $ 25,638 | $ 11,173 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 65,010 | 70,090 |
| Consolidation, restructuring and related charges | 262 | - |
| Debt extinguishment loss | - | 27,399 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 2,324 | (10,332) |
| Inventories | (961) | (14,196) |
| Other current assets | (675) | (1,154) |
| Accounts payable, accrued liabilities and other | 15,926 | 21,471 |
| Net cash provided by operating activities | 107,524 | 104,451 |
| Cash flows from investing activities: | | |
| Purchases of property, plant and equipment | (92,009) | (59,089) |
| Investment in joint venture | (13,397) | (10,773) |
| Other | (1,618) | (250) |
| Net cash used in investing activities | (107,024) | (70,112) |
| Cash flows from financing activities: | | |
| Proceeds from long-term borrowings | 25,000 | 17,000 |
| Proceeds from issuance of convertible debt | - | 115,000 |
| Repayments of long-term borrowings | (3,646) | (63,445) |
| Repurchase of common stock by subsidiary | (11,653) | (3,294) |
| Payments of deferred financing fees | (198) | (4,318) |
| Proceeds from exercise of share-based arrangements | 517 | 694 |
| Net cash provided by financing activities | 10,020 | 61,637 |
| Effect of exchange rate changes on cash | (3,153) | 7,924 |
| Net increase in cash and cash equivalents | 7,367 | 103,900 |
| Cash and cash equivalents at beginning of period | 189,928 | 98,945 |
| Cash and cash equivalents at end of period | $ 197,295 | $ 202,845 |
| Supplemental disclosure of non-cash information: | | |
| Accrual for property, plant and equipment purchased during period | $ 3,008 | $ 19,979 |
| Deposit related to facility purchase | 2,000 | - |
| Capital lease obligation for purchase of equipment | - | 21,248 |
| Common stock issued to extinguish debt | - | 20,234 |

*See accompanying notes to condensed consolidated financial statements.*

**PHOTRONICS, INC. AND SUBSIDIARIES**
**Notes to Condensed Consolidated Financial Statements**
**Three Months and Nine Months Ended July 29, 2012 and July 31, 2011**
**(unaudited)**
**(in thousands, except share amounts)**

## NOTE 1 - BASIS OF FINANCIAL STATEMENT PRESENTATION

Photronics, Inc. and its subsidiaries ("Photronics" or the "Company") is one of the world's leading manufacturers of 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 flat panel displays ("FPDs"), and are used as masters to transfer circuit patterns onto semiconductor wafers and flat panel substrates during the fabrication of integrated circuits ("ICs") and a variety of FPDs and, to a lesser extent, other types of electrical and optical components. The Company currently operates principally from eight manufacturing facilities, two of which are located in Europe, two in Taiwan, one in Korea, and three in the United States. The Company ceased manufacturing photomasks at its Singapore facility in December 2011.

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 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 fiscal year ending October 28, 2012. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended October 30, 2011.

## NOTE 2 - CHANGES IN EQUITY

The following tables set forth the Company's consolidated changes in equity for the three and nine month periods ended July 29, 2012 and July 31, 2011:

| | Three Months Ended July 29, 2012 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Photronics, Inc. Shareholders | | | | | | |
| | Common Stock | | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income | Non-controlling Interests | Total Equity |
| | Shares | Amount | | | | | |
| **Balance at April 30, 2012** | 60,106 | $ 601 | $ 490,350 | $ 26,690 | $ 8,431 | $ 42,805 | $ 568,877 |
| Net income | - | - | - | 10,950 | - | 317 | 11,267 |
| Other comprehensive income (loss) | - | - | - | - | (6,004) | (999) | (7,003) |
| Sale of common stock through employee stock option and purchase plans | 8 | - | 18 | - | - | - | 18 |
| Restricted stock awards vesting and expense | 23 | - | 221 | - | - | - | 221 |
| Share-based compensation expense | - | - | 657 | - | - | - | 657 |
| Repurchase of common stock by subsidiary | - | - | 485 | - | (19) | (4,536) | (4,070) |
| **Balance at July 29, 2012** | 60,137 | $ 601 | $ 491,731 | $ 37,640 | $ 2,408 | $ 37,587 | $ 569,967 |

| | Three Months Ended July 31, 2011 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Photronics, Inc. Shareholders | | | | | | |
| | Common Stock | | | | | | |
| | Shares | Amount | Additional Paid-in Capital | Retained Earnings (Accum-ulated Deficit) | Accumulated Other Comprehensive Income | Non-controlling Interests | Total Equity |
| **Balance at May 2, 2011** | 58,539 | $ 585 | $ 478,009 | $ (6,951) | $ 23,991 | $ 56,981 | $ 552,615 |
| Net income | - | - | - | 11,265 | - | 1,357 | 12,622 |
| Other comprehensive income | - | - | - | - | 3,303 | 99 | 3,402 |
| Common stock issued to extinguish debt | 738 | 7 | 6,461 | - | - | - | 6,468 |
| Sale of common stock through employee stock option and purchase plans | 205 | 2 | 243 | - | - | - | 245 |
| Restricted stock awards vesting and expense | 28 | 1 | 341 | - | - | - | 342 |
| Share-based compensation expense | - | - | 385 | - | - | - | 385 |
| **Balance at July 31, 2011** | 59,510 | $ 595 | $ 485,439 | $ 4,314 | $ 27,294 | $ 58,437 | $ 576,079 |

| | Nine Months Ended July 29, 2012 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Photronics, Inc. Shareholders | | | | | | |
| | Common Stock | | | | | | |
| | Shares | Amount | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income | Non-controlling Interests | Total Equity |
| **Balance at October 31, 2011** | 59,651 | $ 597 | $ 486,674 | $ 13,605 | $ 10,171 | $ 48,709 | $ 559,756 |
| Net income | - | - | - | 24,035 | - | 1,603 | 25,638 |
| Other comprehensive income | - | - | - | - | (7,708) | 359 | (7,349) |
| Sale of common stock through employee stock option and purchase plans | 211 | 2 | 255 | - | - | - | 257 |
| Restricted stock awards vesting and expense | 98 | - | 673 | - | - | - | 673 |
| Share-based compensation expense | - | - | 1,576 | - | - | - | 1,576 |
| Common stock warrants exercised | 177 | 2 | 1,051 | - | - | - | 1,053 |
| Repurchase of common stock by subsidiary | - | - | 1,502 | - | (55) | (13,084) | (11,637) |
| **Balance at July 29, 2012** | 60,137 | $ 601 | $ 491,731 | $ 37,640 | $ 2,408 | $ 37,587 | $ 569,967 |

| | Nine Months Ended July 31, 2011 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Photronics, Inc. Shareholders | | | | | | |
| | Common Stock | | | | | | |
| | Shares | Amount | Additional Paid-in Capital | Retained Earnings (Accum-ulated Deficit) | Accumulated Other Comprehensive Income | Non-controlling Interests | Total Equity |
| **Balance at November 1, 2010** | 53,779 | $ 538 | $ 436,825 | $ (2,624) | $ 7,062 | $ 54,142 | $ 495,943 |
| Net income | - | - | - | 6,938 | - | 4,235 | 11,173 |
| Other comprehensive income | - | - | - | - | 20,244 | 3,009 | 23,253 |
| Common stock issued to extinguish debt | 5,229 | 52 | 45,585 | - | - | - | 45,637 |
| Sale of common stock | 315 | 3 | 387 | - | - | - | 390 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| through employee stock option and purchase plans | | | | | | | |
| Restricted stock awards vesting and expense | 65 | 1 | 763 | - | - | - | 764 |
| Share-based compensation expense | - | - | 1,050 | - | - | - | 1,050 |
| Common stock warrants exercised | 122 | 1 | 1,157 | - | - | - | 1,158 |
| Repurchase of common stock by subsidiary | - | - | (328) | - | (12) | (2,949) | (3,289) |
| **Balance at July 31, 2011** | 59,510 | $ 595 | $ 485,439 | $ 4,314 | $ 27,294 | $ 58,437 | $ 576,079 |

**NOTE 3 - JOINT VENTURE, TECHNOLOGY LICENSE AND OTHER AGREEMENTS WITH MICRON TECHNOLOGY, INC.**

On May 5, 2006, Photronics and Micron Technology, Inc. ("Micron") entered into the MP Mask joint venture (“MP Mask”), which develops and produces photomasks for leading-edge and advanced next generation semiconductors. As part of the formation of the joint venture, Micron contributed its existing photomask technology center located in Boise, Idaho, (headquarters of MP Mask) and Photronics invested $135 million in exchange for a 49.99% interest in MP Mask (to which $64.2 million of the original investment was allocated), a license for photomask technology of Micron, and certain supply agreements.

This joint venture is a variable interest entity ("VIE") (as that term is defined in the Accounting Standards Codification ("ASC")) because all costs of the joint venture are passed on to the Company and Micron through purchase agreements they have entered into with the joint venture, and it is dependent upon the Company and Micron for any additional cash requirements. On a quarterly basis the Company reassesses whether its interest in MP Mask gives it a controlling financial interest in this VIE. The purpose of this quarterly reassessment is to identify the primary beneficiary (which is defined in the ASC as the entity that consolidates a VIE) of the VIE. As a result of the reassessment in the current quarter, the Company determined that Micron is still the primary beneficiary of the VIE, by virtue of its tie-breaking voting rights within MP Mask’s Board of Managers, thereby giving it the power to direct the activities of MP Mask that most significantly impact its economic performance, including its decision making authority in the ordinary course of business and its purchasing the majority of products produced by the VIE.

The Company has utilized MP Mask for both high-end IC photomask production and research and development purposes. MP Mask charges its variable interest holders based on their actual usage of its facility. MP Mask separately charges for any research and development activities it engages in at the requests of its owners. The Company recorded cost of sales of $1.6 million and $5.7 million and research and development expenses of $0.2 million and $0.7 million during the three and nine month periods ended July 29, 2012. Cost of sales of $6.5 million and $14.8 million and research and development expenses of $0.2 million and $0.7 million were recorded during the three and nine month periods ended July 31, 2011.

MP Mask is governed by a Board of Managers, appointed by Micron and the Company. Since MP Mask's inception, Micron, as a result of its majority ownership, has held majority voting power on the Board of Managers. The voting power held by each party is subject to change as ownership interests change. Under the MP Mask joint venture operating agreement, the Company may be required to make additional capital contributions to MP Mask up to the maximum amount defined in the operating agreement. However, should the Board of Managers determine that further additional funding is required, MP Mask shall pursue its own financing. If MP Mask is unable to obtain its own financing, it may request additional capital contributions from the Company. Should the Company choose not to make a requested contribution to MP Mask, its ownership percentage may be reduced. The Company increased its investment in the MP Mask joint venture by $7.4 million and $13.3 million during the three and nine month periods ended July 29, 2012, respectively. During the three and nine month periods ended July 31, 2011, the Company increased its investment in MP Mask by $0.5 million and $10.7 million, respectively. These investments were primarily related to capital calls made by the joint venture.

The Company's investment in the VIE, which represents its maximum exposure to loss, was $93.3 million at July 29, 2012, and $80.0 million at October 30, 2011. These amounts are reported in the Company's condensed consolidated balance sheets as "Investment in joint venture". The Company recorded income from its investment in the VIE of $0.6 million in the nine month period ended July 31, 2011, and recorded no income from its investment in the three month period ended July 31, 2011, or in the three or nine month periods ended July 29, 2012. Income from the VIE is included in "Investment and other income, net" in the condensed consolidated statements of income.

In the first quarter of 2008 a capital lease agreement with Micron commenced for the U.S. nanoFab facility in Boise, Idaho. Quarterly lease payments, which bore interest at 8%, were $3.8 million through January 2013. This lease was cancelled in the third fiscal quarter of 2009, at which time the Company and Micron (the lessor) entered into a new lease agreement for the facility. Under the provisions of the new lease agreement, quarterly lease payments were reduced from $3.8 million to $2.0 million, the term of the lease was extended from December 31, 2012 to December 31, 2014, and ownership of the property would not transfer to the Company at the end of the lease term. The interest rate of the new lease agreement remained at 8%. As a result of the new lease agreement, the Company reduced its lease obligation and the carrying value of its assets under capital leases by approximately $28 million. The Company paid the capital lease obligation in full in April 2011 with a portion of the net proceeds of the March 2011 issuance of its 3.25% convertible senior notes.

In the second quarter of fiscal 2012 the Company paid $35 million to Micron in connection with the purchase of the U.S. nanoFab facility and the remaining term of the operating lease agreement through 2014 was cancelled. Also in connection with this purchase, the Company entered into a $25 million term loan agreement in the second quarter of fiscal 2012 (see Note 4 for further discussion).

**NOTE 4 - LONG-TERM BORROWINGS**

Long-term borrowings consist of the following:

| | July 29, 2012 | October 30, 2011 |
|---|---|---|
| 3.25% convertible senior notes due on April 1, 2016 | $ 115,000 | $ 115,000 |
| Term loan, which bears interest at a variable rate, as defined (2.5% at July 29, 2012) | 24,375 | - |
| 5.5% convertible senior notes due on October 1, 2014 | 22,054 | 22,054 |
| 3.09% capital lease obligation payable through March 2016 | 16,198 | 19,218 |
| 4.75% financing loan with customer | 832 | 1,888 |
| | 178,459 | 158,160 |
| Less current portion | 7,470 | 5,583 |
| | $ 170,989 | $ 152,577 |

In March 2012 the Company, in connection with its purchase of the U.S. nanoFab facility (see Note 3 for further discussion), amended its credit facility ("the credit facility") to include the addition of a $25 million term loan maturing in March 2017 with minimum quarterly principal payments of $0.6 million (quarterly payments commenced in June 2012 and are based on a ten year repayment period). The amendment also included a twenty-five basis point reduction in the interest rate charged on any borrowings under the credit facility. The credit facility bears interest (2.5% at July 29, 2012), based on the Company's total leverage ratio, at LIBOR plus a spread, as defined in the credit facility.

In March 2011 the Company issued through a private offering, pursuant to Rule 144A under the Securities Act of 1933, as amended, $115 million aggregate principal amount of 3.25% convertible senior notes. The notes mature on April 1, 2016, and note holders may convert each $1,000 principal amount of notes to 96.3879 shares of common stock (equivalent to an initial conversion price of $10.37 per share of common stock) at any time prior to the close of business on the second scheduled trading day immediately preceding April 1, 2016. The conversion rate is subject to adjustment upon the occurrence of certain events, which are described in the indenture dated March 28, 2011. The Company is not required to redeem the notes prior to their maturity date. Interest on the notes accrues in arrears, and is paid semiannually through the notes' maturity date. Interest payments on the notes commenced on October 1, 2011. The net proceeds of the notes were approximately $110.7 million, which were used, in part, to acquire $35.4 million of the Company's 5.5% convertible senior notes which were to mature on October 1, 2014, and to repay, in full, its then outstanding obligations under capital leases of $19.8 million.

In March 2011 the Company amended the credit facility which, as amended, included, among other things: i) a reduction of the aggregate commitments of the lenders from $65 million to $30 million; ii) a reduction of the applicable interest rates and modifications of the leverage ratios related thereto; iii) an extension of the maturity date to April 30, 2015; iv) an increase in the permitted amount of certain financed capital assets up to $75 million outstanding at any one time; v) an allowance to issue the 3.25% convertible senior notes; vi) an increase in the investments "basket" from $15 million to $25 million per year; vii) an allowance to repurchase the 5.5% convertible senior notes and other indebtedness and viii) removal of the limitation on maximum last twelve months capital expenditures.

The credit facility is secured by substantially all of the Company's assets located in the United States, as well as common stock the Company owns in certain of its foreign subsidiaries, and is subject to the following financial covenants: minimum fixed charge ratio, total leverage ratio and minimum unrestricted cash balance. As of July 29, 2012, the Company had no outstanding borrowings under the credit facility's revolving loan and $30 million was available for borrowing.

In June 2011 the Company acquired $5.0 million of its 5.5% convertible senior notes in exchange for 0.7 million shares of its common stock, with a fair value of $6.5 million, and cash of $3.2 million (the note holders received 147.529 shares and cash of $647 for each $1,000 note). The Company, in connection with this repurchase, recorded an extinguishment loss of $5.0 million, which included the write off of deferred financing fees of $0.3 million. The loss is included in other income (expense) in the Company's condensed consolidated statements of income.

In March 2011 the Company acquired $30.4 million of its 5.5% convertible senior notes in exchange for 4.5 million shares of its common stock, with a fair value of $39.2 million, and cash of $19.7 million (the note holders received 147.529 shares and cash of $647 for each $1,000 note). The Company, in connection with this repurchase, recorded an extinguishment loss of $30.1 million, which included the write off of deferred financing fees of $1.7 million. The loss is included in other income (expense) in the Company’s condensed consolidated statements of income.

In September 2009 the Company issued, through a public offering, $57.5 million aggregate principal amount of 5.5% convertible senior notes, which were to mature on October 1, 2014. Under the terms of the offering, the note holders could convert each $1,000 principal amount of notes to 196.7052 shares of common stock (equivalent to an initial conversion price of $5.08 per share of common stock) on, or before, September 30, 2014. The conversion rate is subject to adjustment upon the occurrence of certain events which are described in the indenture dated September 16, 2009. The Company is not required to redeem the notes prior to their maturity. The net proceeds of this offering were approximately $54.9 million, which were used to reduce amounts outstanding under the Company’s credit facility. As discussed above, $35.4 million aggregate principal amount of these notes were acquired by the Company during fiscal year 2011.

In April 2011 the Company entered into a five year, $21.2 million capital lease for manufacturing equipment. Payments under the lease, which bears interest at 3.09%, are $0.4 million per month through March 2016. The lease agreement provides that the Company must maintain the equipment in good working order, and includes a cross default with cross acceleration provision related to certain nonfinancial covenants incorporated in the Company's credit facility agreement. As of July 29, 2012, the total amount payable through the end of the lease term was $17.2 million, of which $16.2 million represented principal and $1.0 million represented interest.

In January 2010 the Company borrowed $3.7 million from a customer to purchase manufacturing equipment. This loan bears interest at 4.75% and is primarily being repaid with product supplied to the customer. Product valued at $0.4 million and $0.9 million was shipped to the customer and applied against the loan during the three and nine month periods ended July 29, 2012, respectively, and product valued at $0.3 million and $0.9 million was applied against the loan in the respective prior year periods. The Company estimates that the loan will be fully repaid in fiscal 2013.

**NOTE 5 - COMMON STOCK WARRANTS**

In September 2009 the Company entered into two warrant agreements with Intel Capital Corporation to purchase a total of 750,000 shares of the Company's common stock. Under one warrant agreement 500,000 shares of the Company's common stock can be purchased at an exercise price of $4.15 per share and under the second warrant agreement 250,000 shares of the Company's common stock can be purchased at an exercise price of $5.08 per share. The warrant agreements expire in September 2014. Also in September 2009, the Company and Intel Corporation entered into an agreement to share technical and operations information regarding the development of the Company's products, the capabilities of the Company's photomask manufacturing lines and the alignment of photomask toolsets. Intel Capital Corporation also invested in the Company's convertible debt offering of September 2009. The warrants were recorded at their fair value on their date of grant, which was determined using the Black-Scholes option pricing model. As of July 29, 2012, none of the warrants issued to Intel Capital Corporation had been exercised.

In conjunction with the May 2009 amendment to its then existing credit facility, the Company also entered into a warrant agreement with its lenders. See Note 6 for further discussion of these warrants.

**NOTE 6 - DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES**

The Company utilizes derivative instruments to reduce its exposure to the effects of the variability of interest rates and foreign currencies on its financial performance when it believes such action is warranted. Historically, the Company has been a party to derivative instruments to hedge either the variability of cash flows of a prospective transaction or the fair value of a recorded asset or liability. In certain instances, the Company has designated these transactions as hedging instruments. However, whether or not a derivative was designated as being a hedging instrument, the Company's purpose for engaging in the derivative has always been for risk management (and not speculative) purposes. The Company historically has not been a party to a significant number of derivative instruments and does not expect its derivative activity to significantly increase in the foreseeable future.

In addition to the utilization of derivative instruments discussed above, the Company attempts to minimize its risk of foreign currency exchange rate variability by, whenever possible, procuring production materials within the same country that it will utilize the materials in manufacturing, and by selling to customers from manufacturing sites within the country in which the customers are located.

In May 2009, in connection with an amendment to its credit facility, the Company issued 2.1 million warrants, each exercisable for one share of the Company's common stock at an exercise price of $0.01 per share. Forty percent of the warrants were exercisable upon issuance, and the remaining balance was to become exercisable in twenty percent increments at various points in time after October 31, 2009. As a result of certain net cash settleable put provisions within the warrant agreement, the warrants were recorded as a liability in the Company's consolidated balance sheet. As of the issuance date and for future periods that such warrants remained outstanding, the Company had adjusted the liability based upon the current fair value of the warrants, with any changes in their fair value being recognized in earnings. Due to the warrants' exercise price of $0.01 per share, their fair value approximated the market price of the Company's common stock. Approximately 1.2 million of these warrants were cancelled as a result of the Company's early repayment of certain amounts under its credit facility during the year ended November 1, 2009, and the associated liability was reduced accordingly. During the three month period ended January 29, 2012, all of the 0.2 million of these warrants that remained outstanding were exercised. In connection with this exercise, the Company recognized a gain of $0.1 million, included in investment and other income (expense), net, in its condensed consolidated statements of income. During the three and nine month periods ended July 31, 2011, the Company recognized a gain of $0.2 million and a loss of $0.6 million, respectively, in connection with these warrants, which were also included in investment and other income (expense), net. See Note 5 for disclosures related to other common stock warrants.

A portion of an existing loss on a cash flow hedge in the amount of $0.1 million is expected to be reclassified into earnings over the next twelve months.

The table below presents the effect of derivative instruments on the Company's condensed consolidated balance sheets at July 29, 2012 and October 30, 2011.

| **Derivatives Not Designated as Hedging Instruments Under ASC 815** | **Balance Sheet Location** | **Fair Value at July 29, 2012** | **Fair Value at October 30, 2011** |
|---|---|---|---|
| Warrants on common stock | Other liabilities | $ - | $ 1,147 |

The table below presents the effect of derivative instruments on the Company's condensed consolidated statements of income for the three and nine month periods ended July 29, 2012 and July 31, 2011.

| **Derivatives Not Designated as Hedging Instruments Under ASC 815** | **Location of Gain (Loss) Related to Derivative Instruments** | **Amount of Gain (Loss) Recognized Related to Derivative Instruments** | | | |
|---|---|---|---|---|---|
| | | **Three Months Ended** | | **Nine Months Ended** | |
| | | **July 29, 2012** | **July 31, 2011** | **July 29, 2012** | **July 31, 2011** |
| Warrants on common stock | Investment and other income (expense), net | $ - | $ 221 | $ 94 | $ (599) |

**NOTE 7 - SHARE-BASED COMPENSATION**

In March 2007 shareholders approved a new share-based compensation plan ("Plan"), under which options, restricted stock, restricted stock units, stock appreciation rights, performance stock, performance units, and other awards based on, or related to, shares of the Company's common stock may be granted from shares authorized but unissued or shares previously issued and reacquired by the Company. A maximum of six million shares of common stock may be issued under the Plan. Awards may be granted to officers, employees, directors, consultants, advisors, and independent contractors of the Company or its subsidiaries. In the event of a change in control (as defined in the Plan), the vesting of awards may be accelerated. The Plan, aspects of which are more fully described below, prohibits further awards from being issued under prior plans. The Company incurred total share-based compensation costs for the three and nine month periods ended July 29, 2012, of $0.9 million and $2.3 million, respectively, and $0.7 million and $1.8 million for the three and nine month periods ended July 31, 2011, respectively. The Company received cash from option exercises of $0.1 million and $0.3 million for the three and nine month periods ended July 29, 2012, respectively, and $0.2 million and $0.4 million for the three and nine month periods ended July 31, 2011, respectively. No share-based compensation cost was capitalized as part of an asset and no related income tax benefits were recorded during the periods presented.

## Stock Options

Option awards generally vest in one to four years, and have a ten-year contractual term. All incentive and non-qualified stock option grants have an exercise price equal to the market value of the underlying common stock on the date of grant. The grant date fair values of options are based on closing prices of the Company’s common stock on the dates of grant using the Black-Scholes option pricing model. Expected volatility is based on the historical volatility of the Company's stock. The Company uses historical option exercise behavior and employee termination data to estimate expected term, which represents the period of time that the options granted are expected to remain outstanding. The risk-free rate of return for the estimated term of the option is based on the U.S. Treasury yield curve in effect at the date of grant. The weighted-average inputs and risk-free rate of return ranges used to calculate the grant date fair value of options issued during the three and nine month periods ended July 29, 2012 and July 31, 2011, are presented in the following table.

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | July 29, 2012 | July 31, 2011 | July 29, 2012 | July 31, 2011 |
| Expected volatility | 102.2% | N/A | 102.1% | 98.7% |
| Risk free rate of return | 0.6% | N/A | 0.6% - 0.9% | 1.0% - 1.9% |
| Dividend yield | 0.0% | N/A | 0.0% | 0.0% |
| Expected term | 4.3 years | N/A | 4.3 years | 4.2 years |

Information on outstanding and exercisable option awards as of July 29, 2012, is presented below.

| Options | Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Outstanding at July 29, 2012 | 4,053,752 | $ 8.29 | 6.3 years | $ 5,554 |
| Exercisable at July 29, 2012 | 2,266,521 | $ 10.97 | 4.8 years | $ 3,013 |

There were 30,000 share options granted during the three month period ended July 29, 2012, with a grant date fair value of $4.37 per share, and there were no share options granted during the three month period ended July 31, 2011. There were 554,500 share options granted during the nine month period ended July 29, 2012, with a weighted-average grant date fair value of $4.47 per share and 620,750 share options granted during the nine month period ended July 31, 2011, with a weighted-average grant date fair value of $4.75 per share. As of July 29, 2012, the total unrecognized compensation cost related to unvested option awards was approximately $4.2 million. That cost is expected to be recognized over a weighted-average amortization period of 2.6 years.

## Restricted Stock

The Company periodically grants restricted stock awards. The restrictions on these awards lapse over a service period that has ranged from less-than-one to eight years. No restricted stock awards were granted during the three month period ended July 29, 2012, and 168,750 restricted stock awards were issued during the nine month period ended July 29, 2012, with a weighted-average grant date fair value of $6.28 per share. No restricted stock awards were granted during the three month period ended July 31, 2011, and 176,250 restricted stock awards were issued during the nine month period ended July 31, 2011, with a weighted-average grant date fair value of $6.71 per share. As of July 29, 2012, the total compensation cost not yet recognized related to unvested restricted stock awards was approximately $1.6 million. That cost is expected to be recognized over a weighted-average amortization period of 2.5 years. As of July 29, 2012, there were 262,314 shares of restricted stock outstanding.

## NOTE 8 - CONSOLIDATION, RESTRUCTURING AND RELATED CHARGES

In the first quarter of fiscal 2012 the Company ceased the manufacture of photomasks at its Singapore facility and, in connection therewith, recorded charges of $1.2 million during the nine month period ended July 29, 2012. The Company expects that this restructuring will be completed in 2012, and expects its total cost to range between $1.5 million and $1.9 million, with that cost primarily being comprised of employee termination costs and asset write-downs. The following table sets forth the Company's restructuring reserve primarily related to its Singapore facility as of July 29, 2012, and reflects the activity affecting the reserve for the three and nine month periods then ended.

| | Three Months Ended July 29, 2012 | | | | Nine Months Ended July 29, 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | April 30, 2012 | Charges | Utilized | July 29, 2012 | October 31, 2011 | Charges | Utilized | July 29, 2012 |
| Employee terminations and other | $ 199 | $ 7 | $ (69) | $ 137 | $ - | $ 920 | $ (783) | $ 137 |
| Asset write-downs | - | - | - | - | - | 262 | (262) | - |
| | $ 199 | $ 7 | $ (69) | $ 137 | $ - | $ 1,182 | $ (1,045) | $ 137 |

## NOTE 9 - INCOME TAXES

The effective income tax rates for the three and nine month periods ended July 29, 2012, differ from the U.S. statutory rate of 35% primarily due to changes in the deferred tax asset and valuation allowance, combined with income taxed at lower rates in non-U.S. jurisdictions. The effective income tax rates for the three and nine month periods ended July 31, 2011, differ from the U.S. statutory rate primarily due to the impact of the non-deductible debt extinguishment losses recorded in the second and third quarters of fiscal 2011, combined with income taxed at lower rates in non-U.S. jurisdictions, which were offset by the impact of a foreign subsidiary's tax settlement in the three month period ended July 31, 2011. Entities within certain jurisdictions are excluded from the Company's effective income tax rate if they are projected to generate a loss for the year and the tax benefits of such losses are not anticipated to be realized in the foreseeable future.

The net liability for unrecognized tax benefits included in the condensed balance sheets at July 29, 2012 and October 30, 2011, is $3.9 million and $1.9 million respectively, $2.0 million and $1.9 million which if recognized, would reduce the Company's effective tax rate.  In the nine month period ended July 29, 2012, the Company recorded gross unrecognized tax benefits of $1.9 million, related to tax return filing positions claimed in the current period. These unrecognized tax benefits did not have a material impact on the effective tax rate, as the corresponding tax benefits were offset by a previously recorded valuation allowance.

PKLT, the Company's FPD manufacturing facility in Taiwan, is accorded a tax holiday which commences in 2012 and expires in 2017.  Due to PKLT's current tax loss position, the tax holiday did not impact the Company's 2012 effective tax rate, and had no dollar or per share effect in the three or nine month periods ended July 29, 2012 and July 31, 2011.

## NOTE 10 - EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is presented below.

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | July 29, 2012 | July 31, 2011 | July 29, 2012 | July 31, 2011 |
| Net income attributable to Photronics, Inc. | $ 10,950 | $ 11,265 | $ 24,035 | $ 6,938 |
| Effect of dilutive securities: | | | | |
| Interest expense on convertible notes, net of related tax effects | 1,542 | 1,595 | 4,626 | - |
| Gains related to common stock warrants fair value adjustment | - | (221) | (94) | - |
| Earnings for diluted earnings per share | $ 12,492 | $ 12,639 | $ 28,567 | $ 6,938 |
| Weighted-average common shares computations: | | | | |
| Weighted-average common shares used for basic earnings per share | 60,121 | 58,987 | 60,008 | 56,163 |
| Effect of dilutive securities: | | | | |
| Convertible notes | 15,423 | 15,909 | 15,423 | - |
| Share-based payment awards | 707 | 1,314 | 789 | 1,252 |
| Common stock warrants | 185 | 534 | 240 | 309 |
| Potentially dilutive common shares | 16,315 | 17,757 | 16,452 | 1,561 |
| Weighted-average common shares used for diluted earnings per share | 76,436 | 76,744 | 76,460 | 57,724 |
| Basic earnings per share | $ 0.18 | $ 0.19 | $ 0.40 | $ 0.12 |
| Diluted earnings per share | $ 0.16 | $ 0.16 | $ 0.37 | $ 0.12 |

The table below shows the outstanding weighted-average share-based payment awards and common stock warrants that were excluded from the calculation of diluted earnings per share because their exercise price exceeded the average market value of the common shares for the period or, under application of the treasury stock method, they were otherwise determined to be anti-dilutive. The table also shows convertible notes that, if converted, would have been anti-dilutive.

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | July 29, 2012 | July 31, 2011 | July 29, 2012 | July 31, 2011 |
| Share-based payment awards | 2,616 | 2,206 | 2,546 | 2,412 |
| Convertible notes | - | - | - | 13,519 |
| Common stock warrants | - | - | - | 225 |
| Total potentially dilutive shares excluded | 2,616 | 2,206 | 2,546 | 16,156 |

## NOTE 11 – GEOGRAPHIC INFORMATION

The Company operates as a single operating segment as a manufacturer of photomasks, which are high precision quartz plates containing microscopic images of electronic circuits for use in the fabrication of ICs and FPDs. Geographic net sales are based primarily on where the Company's manufacturing facility is located. The Company's net sales by geographic area and for ICs and FPDs for the three and nine month periods ended July 29, 2012 and July 31, 2011, and its long-lived assets by geographic area as of July 29, 2012, and October 30, 2011, are presented below.

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | July 29, 2012 | July 31, 2011 | July 29, 2012 | July 31, 2011 |
| **Net sales** | | | | |
| Asia | $ 71,707 | $ 80,051 | $ 211,880 | $ 238,224 |
| Europe | 10,639 | 11,833 | 31,372 | 35,643 |
| North America | 34,270 | 44,051 | 102,968 | 115,994 |
| | $ 116,616 | $ 135,935 | $ 346,220 | $ 389,861 |
| | | | | |
| IC | $ 90,269 | $ 104,891 | $ 266,185 | $ 294,691 |
| FPD | 26,347 | 31,044 | 80,035 | 95,170 |
| | $ 116,616 | $ 135,935 | $ 346,220 | $ 389,861 |

| | As of | |
|---|---|---|
| | July 29, 2012 | October 30, 2011 |
| **Long-lived assets** | | |
| Asia | $ 191,506 | $ 197,956 |
| Europe | 9,534 | 10,879 |
| North America | 183,752 | 159,845 |
| | $ 384,792 | $ 368,680 |

The Company is typically impacted during its first fiscal quarter by the North American and European holiday periods, as some customers reduce their effective workdays and orders during these periods. Additionally, the Company can be impacted during its first or second quarter by the Asian New Year holiday period, which may also reduce customer orders.

## NOTE 12 - FAIR VALUE MEASUREMENTS

The accounting framework for determining fair value includes a hierarchy for ranking the quality and reliability of the information used to measure fair value, which enables the reader of the financial statements to assess the inputs used to develop those measurements. The fair value hierarchy consists of three tiers as follows: Level 1, defined as quoted market prices in active markets for identical securities; Level 2, defined as inputs other than Level 1 that are observable, either directly or indirectly; and Level 3, defined as unobservable inputs that are not corroborated by market data.

*Assets and Liabilities Measured at Fair Value on a Recurring Basis*

The table below presents assets and liabilities as of October 30, 2011, that are measured at fair value on a recurring basis. The Company did not have any assets or liabilities measured at fair value on a recurring basis as of July 29, 2012.

| | October 30, 2011 | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Instruments (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| Common stock warrants (liability) | $ - | $ 1,147 | $ - | $ 1,147 |
| Total liabilities | $ - | $ 1,147 | $ - | $ 1,147 |

The fair value of the common stock warrants liability was determined using the Black-Scholes option pricing model. A significant observable input into the model included the market price of the Company's common stock at the measurement date. Gains or losses related to fair value adjustments to the common stock warrants liability are included in other income (expense), net.

*Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis*

The Company did not have any nonfinancial assets or liabilities measured at fair value on a nonrecurring basis as of July 29, 2012 and October 30, 2011.

*Fair Value of Other Financial Instruments*

The fair values of the Company's cash and cash equivalents (Level 1 measurements), accounts receivable, accounts payable, and certain other current assets and current liabilities (Level 2 measurements) approximate their carrying value due to their short-term maturities. The fair value of the Company’s financing loan with a customer is a Level 2 measurement that approximates its carrying value due to its short-term maturity. The fair value of the Company’s variable rate term loan is a Level 2 measurement and approximates its carrying value due to the variable nature of the underlying interest rates. The fair value of the Company’s convertible senior notes is a Level 2 measurement that is determined using recent bid prices. The table below presents the fair and carrying values of the Company’s convertible senior notes at July 29, 2012 and October 30, 2011.

| | July 29, 2012 | | October 30, 2011 | |
|---|---|---|---|---|
| | Fair Value | Carrying Value | Fair Value | Carrying Value |
| 3.25% convertible senior notes | $ 113,758 | $ 115,000 | $ 109,260 | $ 115,000 |
| 5.5% convertible senior notes | $ 31,740 | $ 22,054 | $ 32,791 | $ 22,054 |

## NOTE 13 - SUBSIDIARY SHARE REPURCHASE

Since the second quarter of fiscal 2011, the board of directors of Photronics Semiconductor Mask Corporation (PSMC), a subsidiary of the Company based in Taiwan, authorized several share repurchase programs for PSMC to purchase for retirement shares of its outstanding common stock. During the three and nine month periods ended July 29, 2012, PSMC purchased 9.1 million and 27.1 million shares, respectively, at a cost of $4.1 million and $11.7 million, respectively and, during the nine month period ended July 31, 2011, PSMC purchased 7.7 million shares at a cost of $3.3 million. These repurchase programs increased the Company's ownership in PSMC to 59.14% at July 31, 2011, to 62.25% at October 30, 2011, and to 69.40% at July 29, 2012.

The table below presents the effect of the change in the Company's ownership interest in PSMC on the Company's equity for the three and nine month periods ended July 29, 2012 (9.1 million and 27.1 million shares of common stock of PSMC repurchased, respectively) and July 31, 2011 (7.7 million shares of PSMC stock repurchased).

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | July 29, 2012 | July 31, 2011 | July 29, 2012 | July 31, 2011 |
| Net income attributable to Photronics, Inc. | $ 10,950 | $ 11,265 | $ 24,035 | $ 6,938 |
| Increase (decrease) in Photronics, Inc.'s additional paid-in capital | 485 | - | 1,502 | (328) |
| Decrease in accumulated other comprehensive income | (19) | - | (55) | - |
| Change from net income attributable to Photronics, Inc. and transfer from noncontrolling interest | $ 11,416 | $ 11,265 | $ 25,482 | $ 6,610 |

Subsequent to the quarter ended July 29, 2012, PSMC completed its most recent share repurchase program in August 2012 with the repurchase of an additional 6.2 million shares for $2.7 million, which increased the Company's ownership in PSMC to 71.28%.

## NOTE 14 - COMMITMENTS AND CONTINGENCIES

As of July 29, 2012, the Company had commitments outstanding for capital expenditures of approximately $86 million.

The Company is subject to various claims that arise in the ordinary course of business. The Company believes such claims, individually or in the aggregate, will not have a material effect on its condensed consolidated financial statements.

## NOTE 15 - RECENT ACCOUNTING PRONOUNCEMENTS

There have been no recent accounting pronouncements whose adoption would affect the Company's financial statements or related disclosures.

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

### Overview

Management's discussion and analysis ("MD&A") of the Company's financial condition, results of operations and outlook should be read in conjunction with its condensed consolidated financial statements and related notes. Various segments of this MD&A contain forward-looking statements, all of which are presented based on current expectations and may be adversely affected by uncertainties and risk factors (presented throughout this filing and in the Company's Annual Report on Form 10-K for the fiscal 2011 year), that may cause actual results to materially differ from these expectations.

The Company sells substantially all of its photomasks to semiconductor designers and manufacturers, and manufacturers of FPDs. Photomask technology is also being applied to the fabrication of other higher performance electronic products such as photonics, micro-electronic mechanical systems and certain nanotechnology applications. Thus, the Company's selling cycle is tightly interwoven with the development and release of new semiconductor designs and flat panel applications, particularly as it relates to the semiconductor industry's migration to more advanced design methodologies and fabrication processes. The Company believes that the demand for photomasks primarily depends on design activity rather than sales volumes from products produced using photomask technologies. Consequently, an increase in semiconductor or FPD sales does not necessarily result in a corresponding increase in photomask sales. However, the reduced use of customized ICs, reductions in design complexity, other changes in the technology or methods of manufacturing or designing semiconductors, or a slowdown in the introduction of new semiconductor or FPD designs could reduce demand for photomasks even if demand for semiconductors and FPDs increases. Advances in semiconductor, FPD and photomask design and semiconductor production methods could also reduce the demand for photomasks. Historically, the semiconductor industry has been volatile, with sharp periodic downturns and slowdowns. These downturns have been characterized by, among other things, diminished product demand, excess production capacity and accelerated erosion of selling prices.

The global semiconductor industry is driven by end markets which have been closely tied to consumer driven applications of high performance semiconductor devices including, but not limited to, mobile communications and computing solutions. The Company is typically required to fulfill its customer orders within a short period of time, sometimes within 24 hours. This results in the Company having a minimal level of backlog orders, typically one to two weeks for IC photomasks and two to three weeks for FPD photomasks. The Company cannot predict the timing of the industry's transition to volume production of next generation technology nodes or the timing of up and down cycles with precise accuracy, but believes that such transitions and cycles will continue into the future, beneficially and adversely affecting its business, financial condition and operating results in the near term. The Company believes its ability to remain successful in these environments is dependent upon achieving its goals of being a service and technology leader and efficient solutions supplier, which it believes should enable it to continually reinvest in its global infrastructure.

**Material Changes in Results of Operations**
**Three and Nine Months ended July 29, 2012 and July 31, 2011**

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

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | July 29, 2012 | July 31, 2011 | July 29, 2012 | July 31, 2011 |
| Net sales | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of sales | (72.3) | (71.9) | (74.7) | (73.0) |
| Gross margin | 27.7 | 28.1 | 25.3 | 27.0 |
| Selling, general and administrative expenses | (10.1) | (8.7) | (10.2) | (8.7) |
| Research and development expenses | (4.5) | (2.6) | (4.1) | (2.9) |
| Consolidation, restructuring and related charges | - | - | (0.3) | - |
| Operating income | 13.1 | 16.8 | 10.7 | 15.4 |
| Debt extinguishment loss | - | (3.6) | - | (9.0) |
| Other expense, net | (0.6) | (0.3) | (0.6) | (0.5) |
| Income before income taxes | 12.5 | 12.9 | 10.1 | 5.9 |
| Income tax provision | (2.8) | (3.6) | (2.7) | (3.0) |
| Net income | 9.7 | 9.3 | 7.4 | 2.9 |
| Net income attributable to noncontrolling interests | (0.3) | (1.0) | (0.5) | (1.1) |
| Net income attributable to Photronics, Inc. | 9.4% | 8.3% | 6.9% | 1.8% |

Note: All of the following tabular comparisons, unless otherwise indicated, are for the three months ended July 29, 2012 (Q3-12) and July 31, 2011 (Q3-11) and for the nine months ended July 29, 2012 (YTD-12) and July 31, 2011 (YTD-11), in millions of dollars.

***Net Sales***

| | Three Months Ended | | | Nine Months Ended | | |
|---|---|---|---|---|---|---|
| | Q3-12 | Q3-11 | Percent Change | YTD-12 | YTD-11 | Percent Change |
| IC | $ 90.3 | $ 104.9 | (13.9)% | $ 266.2 | $ 294.7 | (9.7)% |
| FPD | 26.3 | 31.0 | (15.1)% | 80.0 | 95.2 | (15.9)% |
| Total net sales | $ 116.6 | $ 135.9 | (14.2)% | $ 346.2 | $ 389.9 | (11.2)% |

Net sales for Q3-12 decreased 14.2% to $116.6 million as compared to $135.9 million for Q3-11. The decrease was primarily due to reduced demand for both IC and FPD photomasks as a result of a general slowdown in the semiconductor industry. Revenues attributable to high-end products decreased by $3.8 million to $44.7 million in Q3-12 as compared to $48.5 million in Q3-11. High-end photomask applications include mask sets for 45 nanometer and below for IC products, and G8 and above and active matrix organic light-emitting diode (AMOLED) display screen technologies for FPD products. By geographic area, net sales in Q3-12, as compared to Q3-11, decreased by $8.3 million or 10.4% in Asia, decreased by $9.8 million or 22.2% in North America, and decreased by $1.2 million or 10.1% in Europe. As a percent of total sales, net sales in Q3-12 in Asia were 61%, North America 29% and Europe 10%, and in Q3-11 in Asia were 59%, North America 32%, and Europe 9%.

Net sales for YTD-12 decreased 11.2% to $346.2 million as compared to $389.9 million for YTD-11. The decrease was primarily due to a decrease in demand for mainstream products due to a slowdown in the industry, which was partially offset by increased demand for high-end IC products. Revenues attributable to high-end products increased by $17.5 million to $138.1 million in YTD-12 as compared to $120.6 million in YTD-11 due to increased IC product demand. The Company's quarterly revenues can be affected by the seasonal purchasing of its customers.

***Gross Margin***

| | Three Months Ended | | | Nine Months Ended | | |
|---|---|---|---|---|---|---|
| | Q3-12 | Q3-11 | Percent Change | YTD-12 | YTD-11 | Percent Change |
| Gross margin | $ 32.3 | $ 38.2 | (15.5)% | $ 87.6 | $ 105.3 | (16.8)% |
| Percentage of net sales | 27.7% | 28.1% | | 25.3% | 27.0% | |

Gross margin percentage decreased to 27.7% in Q3-12 from 28.1% in Q3-11 and decreased to 25.3% in YTD-12 from 27.0% in YTD-11. These decreases were a result of the decreases in sales from the prior year periods, as the Company operates in a high fixed cost environment. To the extent that the Company's revenues and utilization increase or decrease, gross margin will generally be positively or negatively impacted. The decreases in gross margins as a result of decreases in sales were partially offset by reduced manufacturing expenses related to the Singapore restructuring and the purchase of the U.S. nanoFab facility.

***Selling, General and Administrative Expenses***

| | Three Months Ended | | | Nine Months Ended | | |
|---|---|---|---|---|---|---|
| | Q3-12 | Q3-11 | Percent Change | YTD-12 | YTD-11 | Percent Change |
| Selling, general and administrative expenses | $ 11.8 | $ 11.8 | (0.4)% | $ 35.3 | $ 34.0 | 3.9% |
| Percentage of net sales | 10.1% | 8.7% | | 10.2% | 8.7% | |

Selling, general and administrative expenses were $11.8 million in Q3-12 and in Q3-11; and increased to $35.3 million in YTD-12 as compared to $34.0 million in YTD-11, primarily due to increased employee compensation and selling-related expenses.

***Research and Development***

| | Three Months Ended | | | Nine Months Ended | | |
|---|---|---|---|---|---|---|
| | Q3-12 | Q3-11 | Percent Change | YTD-12 | YTD-11 | Percent Change |
| Research and development | $ 5.2 | $ 3.5 | 48.0% | $ 14.1 | $ 11.2 | 25.5% |
| Percentage of net sales | 4.5% | 2.6% | | 4.1% | 2.9% | |

Research and development expenses consist primarily of global development efforts related to high-end process technologies for advanced sub-wavelength reticle solutions for IC technologies. Research and development expenses increased by $1.7 million to $5.2 million in Q3-12, as compared to $3.5 million in Q3-11, and by $2.9 million to $14.1 million in YTD-12, as compared to $11.2 million in YTD-11. The increase in research and development expenses in Q3-12 and YTD-12 as compared to the same periods in the prior year was primarily due to increased activities at advanced nanometer technology nodes for IC photomasks.

***Consolidation, Restructuring and Related Charges***

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | Q3-12 | Q3-11 | YTD-12 | YTD-11 |
| Employee terminations and other | $ 7 | $ - | $ 920 | $ - |
| Asset write-downs | - | - | 262 | - |
| Total consolidation, restructuring and related charges | $ 7 | $ - | $ 1,182 | $ - |

In the first quarter of fiscal 2012 the Company ceased the manufacture of photomasks at its Singapore facility and, in connection therewith, recorded charges of $1.2 million during the nine month period ended July 29, 2012. The Company expects that this restructuring will be completed in 2012, and expects its total cost to range between $1.5 million and $1.9 million, with that cost primarily being comprised of employee termination costs and asset write-downs.

***Other Income (Expense), net***

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | Q3-12 | Q3-11 | YTD-12 | YTD-11 |
| Interest expense | $ (2.0) | $ (1.9) | $ (5.6) | $ (5.5) |
| Investment and other income (expense), net | 1.2 | 1.5 | 3.4 | 3.5 |
| Debt extinguishment loss | - | (5.0) | - | (35.3) |
| Other income (expense), net | $ (0.8) | $ (5.4) | $ (2.2) | $ (37.3) |

Interest expense increased slightly in Q3-12 and YTD-12, as compared to the same prior year periods.

Investment and other income (expense), net, decreased in Q3-12 as compared to Q3-11 by $0.3 million primarily due to less favorable foreign currency transaction results. On a comparative YTD basis, investment and other income (expense), net, did not change significantly, as less favorable foreign currency transaction results were offset by increased interest and investment income.

In the third quarter of fiscal 2011 the Company acquired $5.0 million aggregate principal amount of its 5.5% convertible senior notes by delivering $3.2 million in cash and approximately 0.7 million shares of its common stock, with an approximate fair value of $6.5 million. In connection with this acquisition the Company recorded a debt extinguishment loss of $5.0 million, which included the write-off of $0.3 million of deferred financing fees.

In the second quarter of fiscal 2011 the Company acquired $30.4 million aggregate principal amount of its 5.5% convertible senior notes by delivering $19.7 million in cash and approximately 4.5 million shares of its common stock, with an approximate fair value of $39.2 million. In connection with this acquisition the Company recorded a debt extinguishment loss of $30.1 million, which included the write-off of $1.7 million of deferred financing fees.

***Income Tax Provision***

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | Q3-12 | Q3-11 | YTD-12 | YTD-11 |
| Income tax provision | $ 3.3 | $ 4.9 | $ 9.2 | $ 11.6 |
| Effective income tax rate | 22.4% | 27.9% | 26.5% | 51.0% |

The effective income tax rate in Q3-12 and YTD-12 decreased from the comparable prior year periods primarily due to the impacts of the nondeductible debt extinguishment losses and a foreign subsidiary tax settlement, both recorded in Q3-11 and YTD-11, with no comparable item in 2012, partially offset by increased earnings in tax paying jurisdictions. In addition, in fiscal 2012, income tax provisions recorded in jurisdictions in which the Company generated income before income taxes were, due to valuation allowances, not significantly offset by income tax benefits recorded in jurisdictions in which the Company incurred losses before income taxes.

***Net Income Attributable to Noncontrolling Interests***

Net income attributable to noncontrolling interests decreased to $0.3 million in Q3-12 as compared to $1.4 million in Q3-11, and to $1.6 million in YTD-12 as compared to $4.2 million in YTD-11, primarily due to decreased net income at PSMC, the Company's non-wholly owned subsidiary in Taiwan.

As a result of share repurchase programs in 2011 and 2012 by PSMC to purchase for retirement shares of its outstanding common stock, the Company’s ownership percentage in PSMC had, as of July 29, 2012, increased 11.87% to 69.40%. See Note 13 of the Condensed Consolidated Financial Statements for further information. The Company’s ownership percentage in its subsidiary in Korea was 99.7% at July 29, 2012, and did not change over the periods presented.

**Liquidity and Capital Resources**

The Company's working capital was $212.3 million at July 29, 2012, and $209.3 million at October 30, 2011. The increase in working capital was primarily the result of increased cash and cash equivalents, which were partially offset by an increase in the current portion of long-term borrowings at July 29, 2012, as compared to October 30, 2011. Net cash provided by operating activities was $107.5 million for the nine month period ended July 29, 2012, an increase of $3.0 million from $104.5 million for the nine month period ended July 31, 2011, primarily as a result of increased net income. Net cash used in investing activities for the nine month period ended July 29, 2012, was $107.0 million, which was comprised primarily of capital expenditure payments, including $35 million for the U.S. nanoFab facility. Net cash provided by financing activities of $10.0 million for the nine month period ended July 29, 2012, was primarily comprised of the proceeds of a $25 million term loan, which is discussed below, partially offset by payments to repurchase the common stock of a subsidiary and repayments of long-term borrowings.

The Company's credit facility ("the credit facility") provides for revolving credit of $30 million through April 2015 and a term loan with a balance of $24.4 million at July 29, 2012. The credit facility bears interest (2.5% at July 29, 2012), based upon the Company's total leverage ratio, at LIBOR plus a spread, as defined in the agreement. As of July 29, 2012, the Company had no revolving loan borrowings against the $30 million available to it. The credit facility is secured by substantially all of the Company's assets located in the United States, as well as common stock the Company owns in certain of its foreign subsidiaries. The credit facility is subject to the following financial covenants: minimum fixed charge ratio, total leverage ratio and minimum unrestricted cash balance.

In the second quarter of fiscal 2012 the Company paid $35 million to Micron in connection with the purchase of the U.S. nanoFab facility. In connection therewith, the Company amended its credit facility to include the addition of a $25 million term loan maturing in March 2017, with minimum quarterly principal payments of $0.6 million. The amendment also included a twenty-five basis point reduction in the interest rate charged on any borrowings under the credit facility. As a result of the purchase of the U.S. nanoFab facility, the Company’s lease agreement with Micron for the U.S. nanoFab facility was cancelled, which reduced the Company’s related outstanding operating lease commitments by a combined total of $15 million for fiscal years 2013 and 2014.

At July 29, 2012, the Company had capital commitments outstanding of approximately $86 million. The Company believes that its currently available resources, together with its capacity for growth and its access to equity and other financing sources, will be sufficient to satisfy its currently planned capital expenditures, as well as its anticipated working capital requirements for the next twelve months. However, the Company cannot assure that additional sources of financing would be available to the Company on commercially favorable terms, should the Company's capital requirements exceed cash available from operations, existing cash, and cash available under its credit facility.

The Company's liquidity is highly dependent on its sales volume, cash conversion cycle, and the timing of its capital expenditures (which can vary significantly from period to period), as it operates in a high fixed cost environment. Although the Company continues to evaluate further cost reduction initiatives, depending on conditions in the semiconductor and FPD markets, the Company's cash flows from operations and current holdings of cash may not be adequate to meet its current and long-term needs for capital expenditures, operations and debt repayments. Historically, in certain years, the Company has used external financing to fund these needs. Due to conditions in the credit markets, some financing instruments used by the Company in the past may not be currently available to it. The Company cannot assure that additional sources of financing would be available to it on commercially favorable terms should its cash requirements exceed cash available from operations, existing cash, and cash available under its credit facility.

## Off-Balance Sheet Arrangements

Under the MP Mask joint venture operating agreement, in order to maintain its 49.99% ownership interest, the Company may be required to make additional capital contributions to the joint venture up to the maximum amount specified in the operating agreement. Cumulatively through July 29, 2012, the Company has contributed $32.5 million to the joint venture (including capital contributions of $7.5 million and $13.0 million made during the three and nine month periods ended July 29, 2012, respectively), and has received distributions from the joint venture totaling $10.0 million.

The Company leases certain office facilities and equipment under operating leases that may require it to pay taxes, insurance and maintenance expenses related to the properties. Certain of these leases contain renewal or purchase options exercisable at the end of the lease terms.

## Business Outlook

A majority of the Company's revenue growth is expected to continue to come from the Asian region, as customers increase their use of manufacturing foundries located outside of North America and Europe. Additional revenue growth is also anticipated in North America, as the Company benefits from advanced technology it may utilize under its technology license with Micron. The Company's Korean and Taiwanese operations are non-wholly owned subsidiaries and, therefore, a portion of earnings generated at each of these locations is allocated to noncontrolling interests.

The Company continues to assess its global manufacturing strategy and monitor its market capitalization, sales volume and related cash flows from operations. This ongoing assessment could result in future facility closures, asset redeployments, additional impairments of intangible or long-lived assets, workforce reductions, or the addition of increased manufacturing facilities, all of which would be based on market conditions and customer requirements.

## Effect of Recent Accounting Pronouncements

There have been no recent accounting pronouncements whose adoption would affect the Company’s financial statements or related disclosures.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company records derivatives on the condensed consolidated balance sheets as assets or liabilities, measured at fair value. The Company does not engage in derivative instruments for speculative purposes. Gains or losses resulting from changes in the values of those derivatives are reported in the condensed consolidated statements of income, or as accumulated other comprehensive income or loss, a separate component of equity, depending on the use of the derivatives and whether they qualify for hedge accounting. In order to qualify for hedge accounting, among other criteria, the derivative must be a hedge of an interest rate, price, foreign currency exchange rate, or credit risk, that is expected to be highly effective at the inception of the hedge and be highly effective in achieving offsetting changes in the fair value or cash flows of the hedged item during the term of the hedge, and formally documented at the inception of the hedge. The types of risks hedged are those related to the variability of future cash flows caused by movements in foreign currency exchange and interest rates. The Company documents its risk management strategy and hedge effectiveness at the inception of, and during the term of each hedge.

## Foreign Currency Exchange Rate Risk

The Company conducts business in several major international currencies through its worldwide operations and its financial position, financial performance and cash flows may be affected by fluctuations in the exchange rates of these currencies. Changes in exchange rates can positively or negatively affect the Company's sales, operating margins, assets, liabilities, and equity. The functional currencies of the Company's Asian subsidiaries are the Korean won, the New Taiwan dollar, and the Singapore dollar. The functional currencies of the Company's European subsidiaries are the British pound and the euro.

The Company attempts to minimize its risk of foreign currency transaction losses by producing its products in the same country in which the products are sold (thereby generating revenues and incurring expenses in the same currency), and by managing its working capital. In some instances, the Company may sell or purchase products in a currency other than the functional currency of the country where it was produced. There can be no assurance that this approach will continue to be successful, especially in the event of a significant adverse movement in the value of any foreign currencies against the U.S. dollar. In certain prior years the Company experienced significant foreign exchange losses on these transactions.

The Company's primary net foreign currency exposures as of July 29, 2012, included the Korean won, the Japanese yen, the New Taiwan dollar, the Singapore dollar, the British pound, and the euro. As of July 29, 2012, a 10% adverse movement in the value of these currencies against the U.S. dollar would have resulted in a net unrealized pre-tax loss of $2.5 million. The Company does not believe that a 10% change in the exchange rates of other non-U.S. dollar currencies would have a material effect on its consolidated financial position, results of operations, or cash flows.

**Interest Rate Risk**

At July 29, 2012, the Company had $24.4 million in variable rate borrowings. A 10% change in interest rates would not have had a material effect on the Company's consolidated financial position, results of operations, or cash flows in the three and nine month periods ended July 29, 2012.

## Item 4. CONTROLS AND PROCEDURES

**Evaluation of Disclosure Controls and Procedures**

The Company has established and currently maintains disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), designed to ensure that information required to be disclosed in its reports filed under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to management, including the Company's chief executive officer and chief financial officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

The Company's management, under the supervision and with the participation of the Company’s chief executive officer and chief financial officer, evaluated the effectiveness of the design and operation of the Company’s disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation the Company’s chief executive officer and chief financial officer concluded that the Company’s disclosure controls and procedures were effective at a reasonable assurance level as of the end of the period covered by this report.

**Changes in Internal Control over Financial Reporting**

There was no change in the Company's internal control over financial reporting during the Company's third quarter of fiscal 2012 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1A. RISK FACTORS

There have been no material changes to risks relating to the Company's business as disclosed in Part 1, Item 1A of the Company's Form 10-K for the year ended October 30, 2011.

### Item 6. EXHIBITS

(a) Exhibits

| Exhibit Number | Description |
|---|---|
| 10.9 | Amendment to the Employee Stock Purchase Plan as of March 28, 2012. |
| 31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

## 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
Senior Vice President
Chief Financial Officer
(Duly Authorized Officer and
Principal Financial Officer)

Date: September 5, 2012

**EXHIBIT 10.9**

# EMPLOYEE STOCK PURCHASE PLAN
**(Amended and Current as of March 28, 2012)**

## ARTICLE I - *General*

1.1 The purpose of Photronics, Inc. Employee Stock Purchase Plan is to provide eligible employees of the Company and its designated subsidiaries (if any) with an opportunity to acquire a proprietary interest in the Company by the purchase of shares of the Common Stock of the Company directly from the Company through payroll deductions. It is felt that employee participation in the ownership of the Company will be to the mutual benefit of both the employees and the Company.

1.2 The Plan is intended to qualify as an "employee stock purchase plan" within the meaning of Section 423 of the Internal Revenue Code of 1986, as amended (the "Code"). The provisions of the Plan shall, accordingly, be construed so as to extend and/or limit eligibility and participation in a manner consistent, and so as to otherwise comply, with the requirements of the Code.

1.3 Eligibility and participation in the Plan shall give any Employee only such rights as are set forth in the Plan and any amendments hereto and shall in no way affect or in any manner limit the Company's right to discharge the Employee, which right is expressly reserved by the Company, or impair the authority of the Plan Committee to limit the Employee's rights, claims or causes, as provided in the Plan.

## ARTICLE II - *Definitions*

2.1 The following words and phrases, when used in the Plan, shall have the following respective meanings, unless the context clearly indicates otherwise:

**"Authorized Leave of Absence"**
Any leave of absence authorized under the Company's standard personnel practices, provided that all persons under similar circumstances must be treated equally in the granting of such Authorized Leave of Absence and provided further that the person returns to the employ of the Company upon the expiration of an Authorized Leave of Absence.

**"Board of Directors"**
The Board of Directors of Photronics, Inc.

**"Code"**
The Internal Revenue Code of 1986, as amended from time to time, and applicable Treasury Department regulations issued thereunder.

**"Common Stock"**

The Common Stock, par value $0.01 per share, of the Company, or the securities adjusted or substituted therefor pursuant to Article XIV.

**"Company"**

Photronics, Inc., a Connecticut corporation, or its successor or successors or any present or future subsidiary of Photronics, Inc., which may be designated to participate in the Plan by the Board of Directors.

**"Compensation"**

The Compensation of an Eligible Employee shall be determined in accordance with procedures approved by the Plan Committee or the Board of Directors. In the absence of the adoption of specific procedures, Compensation of an Eligible Employee shall be the annualized salary or wages of such Employee based on such Employee's current rate of pay and work schedule, but excluding any discretionary overtime, sick pay, vacation pay or other benefits.

**"Disability"**

Disability shall have the same meaning set forth in Section 22(e)(3) of the Code or any successor provision thereto. At present, a disability is defined as a physical or mental impairment or incapacity which, in the opinion of a physician selected by the Plan Committee, can be expected to result in death or has lasted or can be expected to last for a continuous period of at least twelve (12) months and renders the Participant unable to engage in any substantial, gainful activity.

**"Effective Date of the Plan"**

The date on which the Plan shall have become effective pursuant to Article XVII, provided, however, that if the Plan shall not be approved by the stockholders of the Company as provided in Article XVII, the Plan and all rights granted hereunder shall be, and be deemed to have been, null and void.

**"Eligible Employee"**

An Employee who is eligible to participate in the Plan in accordance with provisions of Articles IV and V.

**"Employee"**

Any person who, on an Offering Date, is a common law employee of the Company and whose customary employment is for more than twenty (20) hours per week and for more than five (5) months per calendar year, other than any highly compensated employees (within the meaning of Section 414[q] of the Code or any successor provision thereto) of the Company who are excluded from participation hereunder by action of the Board of Directors. A person who is or has been on an Authorized Leave of Absence, and who in the absence of such Authorized Leave of Absence would have been classified as an Employee, shall in the discretion of the Plan Committee be considered to be an Employee, except to the extent that such determination is inconsistent with Section 423 of the Code. Such determination by the Plan Committee shall be final and conclusive.

**"Offering"**
An Offering in accordance with the provisions of Article V.

**"Offering Date"**
The date of an Offering as established by the Plan Committee pursuant to Section 5.1 hereof.

**"Participant"**
An Eligible Employee who subscribes for Shares pursuant to Article VI.

**"Plan"**
The Photronics, Inc. Employee Stock Purchase Plan set forth herein, as amended from time to time in accordance with the provisions of Article XV.

**"Plan Committee"**
The committee provided for in Article XII to administer the Plan.

**"Purchase Date"**
A Purchase Date as provided in Sections 8.1 or 10.3, as appropriate.

**"Shares"**
Shares of Common Stock offered under the Plan.

The masculine gender, whenever used in the Plan, shall be deemed to include the feminine gender, and whenever the plural is used it shall include the singular, if the context so requires.

## ARTICLE III - *Shares Subject to the Plan*

3.1 Subject to the provisions of Article XIV hereof, the aggregate number of shares of Common Stock which may be issued under the Plan shall not exceed 1,500,000. The aggregate number of such shares which may be issued with respect to any Offering shall be determined by the Plan Committee with respect to such Offering. Such shares may be authorized but unissued shares of Common Stock or issued shares of Common Stock which are held by the Company. Any shares subscribed for under the Plan and not purchased as a result of the cancellation in whole or in part of such subscription shall (unless the Plan shall have terminated) be again available for issuance under the Plan.

## ARTICLE IV - *Eligibility*

4.1 Each Employee who has been continuously employed by the Company for the one complete calendar month (or such longer period as may be determined by the Plan Committee) ending immediately prior to an Offering Date shall be eligible to participate in the Offering under the Plan made on such Offering Date.

4.2 Notwithstanding the provisions of Section 4.1, no Employee shall be offered Shares if, immediately after he would subscribe for such Shares, such Employee would own capital stock (including shares of Common Stock which may be purchased under such subscription and under any other outstanding subscriptions under the Plan or options to purchase shares of Common Stock of the Company held by such Employee, as computed in accordance with Section 423[b][3] of the Code or any successor provision thereto) possessing 5% or more of the total combined voting power or value of all classes of stock of the Company. For purposes of determining the stock ownership of any Employee, the provisions of Section 424[d] of the Code shall apply.

## ARTICLE V - *Offering Under the Plan*

5.1 Offerings under the Plan shall be made on such Offering Dates as shall be determined by the Plan Committee. Notwithstanding anything to the contrary, no Offering shall be made on any date prior to the date that a required registration statement with respect to such Offering filed under the Securities Act of 1933, as amended, has become effective. Nothing contained herein shall be deemed to require that an Offering be made in any year.

5.2 [a] Subject to the limitations set forth in Sections 5.2[b] and 6.3, and to the other terms and conditions of the Plan, in each offering under the Plan, each Eligible Employee on an Offering Date shall be offered the right during the Subscription Period as provided in Section 6.2, to subscribe to purchase such number of Shares as the percentage designated by the Plan Committee for such offering (not to exceed 5%) of his Compensation would buy, at a price equal to the product of (i) the fair market value of a Share on the Offering Date, multiplied by (ii) the Purchase Price percentage utilized under Section 5.3 hereof.

[b] Notwithstanding anything to the contrary contained in Sub-Section [a] of this Section 5.2, no Eligible Employee shall be eligible to subscribe for Shares in an Offering if, immediately after he would subscribe for such Shares, such subscription would permit his rights to purchase shares of Common Stock under all employee stock purchase plans of the Company to accrue at a rate which exceeds $25,000 (or such other maximum amounts as may be prescribed from time to time under the Code) of the fair market value of such shares (determined as of the Offering Date for such Offering) for each calendar year in which such subscription would be outstanding at any time. For purposes of this limitation the provisions of Section 423[b][8] of the Code shall be applicable.

5.3 The Purchase Price per share subscribed for all Shares in a particular Offering shall be an amount equal to such percentages, not greater than 100% nor less than 85%, as shall be determined by the Plan Committee on or prior to the Offering Date, of the fair market value of a share of Common Stock (determined in accordance with the provisions of Article XIII) on one of the following dates with respect to such Offering, with such date to be determined by the Plan Committee on or prior to the Offering Date: (i) the Offering Date, (ii) the Purchase Date, or (iii) the Offering Date or the Purchase Date (whichever would result in a lower Purchase Price for the Common Stock).

5.4 In order to participate in any Offering, an Eligible Employee entitled to subscribe for Shares in such Offering shall comply with the subscription procedures set forth in Article VI.

**ARTICLE VI - *Subscriptions for Shares***

6.1 As soon as practicable after an Offering Date, the Company shall furnish to each Eligible Employee a Subscription Agreement setting forth the maximum number of Shares to which such Eligible Employee may subscribe in such Offering, the fair market value per share of Common Stock on the Offering Date, the Purchase Price for Shares in such Offering and such other terms and conditions consistent with the Plan as shall be determined by the Plan Committee.

6.2 Within fifteen (15) days after receipt of such Subscription Agreement, an Eligible Employee desiring to participate in the Offering shall notify the Plan Committee of the number of Shares for which he desires to subscribe. Such notification shall be effected by the Eligible Employee's completing, executing and returning to the Secretary of the Company the Subscription Agreement. All such subscriptions shall be deemed to have been made as of the Offering Date. No subscription shall be accepted from any person who is not an Eligible Employee on the date his subscription is received by the Company.

6.3 The minimum number of Shares for which an Eligible Employee will be permitted to subscribe in any Offering is ten (10) (or the number of Shares offered to him if fewer than ten). If at any time the Shares available for an Offering are oversubscribed, the Number of Shares for which each Eligible Employee is entitled to subscribe pursuant to Section 5.2 shall be reduced, pro rata, to such lower number as may be necessary to eliminate such over-subscription.

6.4 If an Eligible Employee fails to subscribe to the Shares within the period and in the manner prescribed in Section 6.2, he shall waive all rights to purchase Shares in that Offering.

**ARTICLE VII - *Payment for Shares***

7.1 The aggregate Purchase Price for the Shares for which a Participant subscribes in any Offering in accordance with the provisions of Article VI of the Plan shall be paid by means of payroll deductions.

7.2 [a] The aggregate Purchase Price for Shares shall be paid by payroll deductions in equal amounts over a period of 24 months (or such shorter period as shall be determined by the Plan Committee in accordance with the Plan) from the Offering Date. The period over which such payroll deductions are to be made in hereinafter referred to as the "Payment Period".

[b] Such payroll deductions with respect to an Offering shall commence as soon as practicable after the receipt of the Company of the executed Subscription Agreement authorizing such payroll deductions, and shall cease upon the earlier of the termination of the Payment Period or payment in full of the Purchase Price for such Shares. A Participant may cancel his subscription to the extent provided for in Article X, but no other change in terms of his Subscription Agreement may be made during the Payment Period and, in particular, in no event may a Participant change the amount of his payroll deductions under such Subscription Agreement. All payroll deductions withheld from a Participant under a Subscription Agreement shall be credited to his account under the Plan. In the event that payroll deductions are simultaneously being made with respect to more than one Subscription Agreement, the aggregate amount of such payroll deductions at any payday shall be credited first toward the payment for Shares subscribed for in the earliest Offering. A Participant may not make any separate cash payment into his account, provided, however, that a Participant who has been deemed to be in the employ of the Company while on an Authorized Leave of Absence without pay during the Payment Period, may upon his return to the actual employ of the Company, make a cash payment into his account in an amount not exceeding the aggregate of the payroll deductions which would have been made during such Authorized Leave of Absence.

[c] All funds representing payroll deductions for the accounts of Participants will, except as provided in Section 7.3, be paid into the general funds of the Company. No interest will be paid or accrued under any circumstances on any funds withheld by the Company as payroll deductions pursuant to this Section 7.2 or on any other funds paid to the Company for purchases of Shares under the Plan.

7.3 Notwithstanding anything in this Article VII to the contrary, with respect to any Offering which is made prior to the approval of the Plan by the stockholders of the Company, all payroll deductions withheld for the accounts of Participants shall, until the Plan is approved by the stockholders, be held by the Company in a special escrow account for the benefit of such Participants. No interest will be paid or accrued under any circumstances on such funds. No Shares will be issued to such Participants until after approval of the Plan by the stockholders. In the event that the Plan is not approved by the stockholders within the period specified in Article XVII, all such funds will thereupon be promptly refunded to the respective Participants.

7.4 Failure to pay for subscribed Shares as provided in this Article VII shall constitute the cancellation of such subscription to the extent that any such Shares shall not have been so paid for.

## ARTICLE VIII - *Issuance of Shares*

8.1 At the end of the Payment Period for an Offering, (each of which dates is referred to as a "Purchase Date"), the balance of all amounts then held in the account of a Participant representing payroll deductions pursuant to a Subscription Agreement shall be applied to the purchase by the Participant from the Company of the number of Shares equal to the amount of such balance divided by the Purchase Price per share for such Shares applicable on such Purchase Date up to the number of Shares provided for in the respective Subscription Agreement. Any amount remaining in the Participant's account in excess of the sum required to purchase whole Shares on a Purchase Date shall be promptly refunded to the Participant. As soon as practicable after a Purchase Date, the Company will issue and deliver to the Participant a certificate representing the Shares purchased by him from the Company on such Purchase Date. No fractional shares will be issued at any time.

8.2 A Participant who disposes (whether by sale, exchange, gift or otherwise) of any of the Shares acquired by him pursuant to the Plan within two (2) years after the Offering Date for such Shares or within one (1) year after the issuance of Shares to him shall notify the Company in writing of such disposition within thirty (30) days after such disposition.

**ARTICLE IX - *Rights of Stockholders***

9.1 A Participant shall not have any rights to dividends or any other rights as a stockholder of the Company with respect to any Shares until such Shares shall have been issued to him as reflected by the books and records maintained by the Company's transfer agent relating to stockholders of the Company.

**ARTICLE X - *Voluntary Withdrawal/Termination of Employment***

10.1 A Participant may discontinue his payroll deductions under a Subscription Agreement at any time by giving written notice thereof to the Plan Committee, effective for all payroll periods commencing five (5) days after receipt of such notice by the Plan Committee. The balance in the account of such Participant following such discontinuance shall be promptly refunded to the Participant. Withdrawal from an Offering pursuant to this Section 10.1 shall not affect an Eligible Employee's eligibility to participate in any other Offering under the Plan.

10.2 If the Participant's employment with the Company is terminated for any reason other than death while still an Employee, such Participant's rights to purchase Shares under any Subscription Agreement shall immediately terminate. Any balance remaining in his account as of the date of such termination of employment shall be promptly refunded to the Participant.

10.3 In the event of the death of an Employee who was a Participant prior to the purchase of the Shares for which he subscribed pursuant to Article VI hereof, the person or persons who acquired by laws of descent and distribution (his "Estate") his rights to purchase Shares under his Subscription Agreement(s), shall have the right within ninety (90) days after the death of the Participant (but in no event later than the termination of the Payment Period) to purchase from the Company that number of Shares subscribed for and not issued to the Participant prior to his death which the balance in the Participant's payroll deduction account is sufficient to purchase. The failure of the person or persons so acquiring his rights to so give notice of intention to purchase shall constitute a forfeiture of all further rights of the Participant or other persons to purchase such Shares and in such event, the balance in the Participant's payroll deduction account will be refunded, without interest. If the Participant dies more than fifty (50) days prior to the termination of the Payment Period and his Estate elects to purchase the Shares subscribed for, the Purchase Price for his Shares shall be the percentage, designated pursuant to Section 5.3, of the fair market value on the Offering Date, irrespective of the Purchase Price for other Participants.

## ARTICLE XI - *Non-Transferability of Subscription Rights*

11.1 During the lifetime of a Participant, the Shares for which he subscribes may be purchased only by him. No Subscription Agreement of a Participant and no right under or interest in the Plan or any such Subscription Agreement (hereinafter collectively referred to as "Subscription Rights") may be assigned, transferred, pledged, hypothecated or disposed of in any way (whether by operation of law or otherwise), except by the Participant's will or by the applicable laws of descent and distribution, or may be subject to execution, attachment or similar process. Any assignment, transfer, pledge, hypothecation or other disposition of Subscription Rights, or any levy of execution, attachment or other process attempted upon Subscription Rights, shall be null and void and without effect, and in any such event all Subscription Rights shall, in the sole discretion of the Plan Committee (exercised by written notice to the Participant or to the person then entitled to purchase the Shares under the provisions of Sections 10.3 hereof), terminate as of the occurrence of any such event.

## ARTICLE XII - *Administration of the Plan*

12.1 The Plan shall be administered by a Plan Committee which shall consist of two (2) or more members of the Board of Directors, none of whom shall be eligible to participate in the Plan. The members of the Plan Committee shall be appointed, and may be removed, by the Board of Directors. The Board of Directors shall have the power to remove and substitute for members of the Plan Committee and to fill any vacancy which may occur in the Plan Committee.

12.2 Unless otherwise determined by the Board of Directors, the members of the Plan Committee shall serve without additional compensation for their services. All expenses in connection with the administration of the Plan, including, but not limited to, clerical, legal and accounting fees, and other costs of administration, shall be paid by the Company.

12.3 The Chairman of the Plan Committee shall be designated by the Board of Directors. The Plan Committee shall select a Secretary who need not be a member of the Plan Committee. The Secretary, or in his absence, any member of the Plan Committee designated by the Chairman, shall keep the minutes of the proceedings of the Plan Committee and all data, records and documents relating to the administration of the Plan by the Plan Committee.

12.4 A quorum of the Plan Committee shall be such number as the Committee shall from time to time determine, but shall not be less than a majority of the entire Plan Committee. The acts of a majority of the members of the Plan Committee present at any meeting at which a quorum is present shall be the act of the Plan Committee. Members of the Plan Committee may participate in a meeting by means of telephone conference or similar communications procedure pursuant to which all persons participating in the meeting can hear each other. The Plan Committee may take action without a meeting if such action is evidenced by a writing signed by at least a majority of the entire Plan Committee.

12.5 The Plan Committee may, by an instrument in writing, delegate to one or more of its members or to an officer or officers of the Company any of its powers and its authority under the Plan, including the execution and delivery on its behalf of instruments, instructions and other documents.

12.6 It shall be the sole and exclusive duty and authority of the Plan Committee to interpret and construe the provisions of the Plan, to decide any disputes which may arise with regard to the status, eligibility and rights of Employees under the terms of the Plan, and any other persons claiming an interest under the terms of the Plan, and, in general, to direct the administration of the Plan.

12.7 The Plan Committee may adopt, and from time to time amend, such rules and regulations consistent with the purposes and provisions of the Plan, as it deems necessary or advisable to administer and effectuate the Plan.

12.8 The Plan Committee may shorten, lengthen (but not beyond thirty (30) days) or waive the time required by the Plan for the filing of any notice or other form under the Plan.

12.9 The discretionary powers granted hereunder to the Plan Committee shall in no event be exercised in any manner that will discriminate against individual employees or a class of employees or discriminate in favor of employees who are shareholders, officers, supervisors or highly compensated employees of the Company.

## ARTICLE XIII - *Valuation of Shares of Common Stock*

13.1 For purposes of the Plan, the "fair market value" of a share of Common Stock as of any date shall be determined as follows:

[a] If the Common Stock is then listed on a national securities exchange, the "fair market value" shall be the closing price of a share of Common Stock on such exchange on such date, or, if there has been no sale of shares of Common Stock on that date, the closing price of a share of Common Stock on such exchange on the last preceding business day on which shares of Common Stock were traded.

[b] If the Common Stock is then listed on the National Association of Securities Dealers Automatic Quotation System National Market System, the "fair market value" shall be the average of the high and low sales prices of a share of Common Stock on that date, or if there has been no sale of shares of Common Stock on that date, the average of the high and low sales prices of Common Stock on the last preceding business day on which shares of Common Stock were traded.

## ARTICLE XIV - *Adjustments in Certain Events*

14.1 If (i) the Company shall at any time be involved in a transaction to which sub-section [a] of Section 424 of the Code is applicable, (ii) the Company shall declare a dividend payable in, or shall sub-divide or combine, its Common Stock, or (iii) any other event shall occur which in the judgment of the Board of Directors necessitates action by way of adjusting the terms of the outstanding Subscription Agreements, the Board of Directors shall take any such action as in its judgment shall be appropriate to preserve Participant rights substantially proportionate to the rights existing prior to such event. To the extent that such action shall include an increase or decrease in the number of shares of Common Stock subject to outstanding Subscription Agreements, the aggregate number of shares available under Article III hereof for issuance under the Plan pursuant to outstanding Subscription Agreements and Subscription Agreements which may be entered into, and the aggregate number of shares available for issuance in any Offering and the number which may be subscribed for, shall be proportionately increased or decreased, as the case may be. No action shall be taken by the Board of Directors under the provisions of this Article XIV which, in its judgment, would constitute a modification, extension or renewal of the Subscription Agreement (within the meaning of Section 424[h] of the Code), or would prevent the Plan from qualifying as an "employee stock purchase plan" (within the meaning of Section 423 of the Code). The determination of the Board of Directors with respect to any matter referred to in this Article XIV shall be conclusive and binding upon each Participant.

## ARTICLE XV - *Termination and Amendment of the Plan*

15.1 The Board of Directors may, without further approval by the stockholders of the Company, at any time terminate or amend the Plan without notice, or make such modifications of the Plan as it shall deem advisable; provided that the Board of Directors may not, without prior approval by the holders of a majority of the outstanding shares of Common Stock of the Company, amend or modify the Plan so as to (i) increase the maximum number of shares of Common Stock which may be issued under the Plan (except as contemplated in Article XIV hereof), (ii) extend the term during which Offerings may be made under the Plan or (iii) increase the maximum number of Shares which an Eligible Employee is entitled to purchase (except as contemplated in Article XIV hereof); and provided further that the Board of Directors may not amend or modify the Plan in any manner which would prevent the Plan from qualifying as an "employee stock purchase plan" (within the meaning of Section 423 of the Code). No termination, amendment or modification of the Plan may, without the consent of a Participant, adversely affect the rights of such Participant under an outstanding Subscription Agreement.

## ARTICLE XVI - *Miscellaneous*

16.1 Unless otherwise expressly provided in the Plan, all notices or other communications by a Participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received by the Secretary of the Company or when received in the form specified by the Company at the location and by the persons, designated by the Company for the receipt thereof.

16.2 Notwithstanding anything hereunder to the contrary, the offer, sale and delivery by the Company of Shares under the Plan to any Eligible Employee is subject to compliance with all applicable securities regulation and other federal and state laws. The terms of this Plan shall be construed under the laws of the State of Connecticut.

## ARTICLE XVII - *Effective Date*

17.1 The Plan shall become effective at such time as the Plan has been adopted by the Board of Directors or such later date as shall be designated by the Board of Directors upon its adoption of the Plan; provided, however, that the Plan and all Subscription Agreements entered into thereunder shall be, and be deemed to have been, null and void if the Plan is not approved by the holders of a majority of the outstanding shares of Common Stock of the Company within twelve (12) months after the date on which the Plan is adopted by the Board of Directors.

**EXHIBIT 31.1**

I, Constantine S. Macricostas, certify that:

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

2. Based on my knowledge, this 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 report.

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report.

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

/s/ CONSTANTINE S. MACRICOSTAS
Constantine S. Macricostas
Chief Executive Officer
September 5, 2012

**EXHIBIT 31.2**

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 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 report.

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report.

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

/s/ SEAN T. SMITH

Sean T. Smith
Chief Financial Officer
September 5, 2012

**EXHIBIT 32.1**

**Section 1350 Certification of the Chief Executive Officer**

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

**(1)** the Quarterly Report on Form 10-Q of the Company for the quarter ended July 29, 2012 (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.

The foregoing certification is being furnished pursuant to 18 U.S.C. § 1350 and will not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

/s/ CONSTANTINE S. MACRICOSTAS
Constantine S. Macricostas
Chief Executive Officer
September 5, 2012

**EXHIBIT 32.2**

**Section 1350 Certification of the Chief Financial Officer**

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

(1) the Quarterly Report on Form 10-Q of the Company for the quarter ended July 29, 2012 (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.

The foregoing certification is being furnished pursuant to 18 U.S.C. § 1350 and will not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

/s/ SEAN T. SMITH

Sean T. Smith
Chief Financial Officer
September 5, 2012