SECURITES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended July 31, 2001

OR

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

For the transition period from ____________to___________

Commission file number 0-15451

PHOTRONICS, INC

(Exact name of registrant as specified in its charter)

CONNECTICUT	06-0854886
State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1061 EAST INDIANTOWN ROAD, JUPITER, FL	33477
(Address of principal executive offices)	(Zip Code)

(561) 745-1222

(Registrant's telephone number, including area code)

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

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

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

Class
Outstanding at August 23, 2001
COMMON STOCK, $.01 PAR VALUE
29,991,000 SHARES

PHOTRONICS, INC.
AND SUBSIDIARIES

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PAGE PART

PART I. FINANCIAL INFORMATION

ITEM I. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PHOTRONICS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET
(IN THOUSANDS)

ASSETS

	JULY 31, 2001	OCTOBER 31, 2000
	(UNAUDITED)	
Current assets:		
Cash, cash equivalents and short term investments	$ 24,706	$ 38,182
Accounts receivable (less allowance for doubtful accounts of $771 in 2001 and $881 in 2000)	63,110	64,019
Inventories	18,028	18,486
Deferred income taxes and other current assets	24,604	17,906
Total current assets	130,448	138,593
Property, plant and equipment (less accumulated depreciation of $269,883 in 2001 and $231,426 in 2000)	347,637	395,281
Intangible assets (less accumulated amortization of $12,600 in 2001 and $9,373 in 2000)	50,026	59,277
Investments and other assets	49,310	16,410
	$	

577,421 $
609,561
=========
=========

See accompanying notes to condensed consolidated financial statements.

PHOTRONICS, INC. AND SUBISIDARIES

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

LIABILITIES AND SHAREHOLDERS' EQUITY

JULY 31,
OCTOBER 31,
2001 2000 --
-------- ---

(UNAUDITED)
Current
liabilities:
Current
portion of
long-term
debt $ 52 $
849 Accounts
payable
31,443
37,917
Accrued
salaries and
wages 6,598
5,264 Other
accrued
liabilities
14,576 7,539
-------- ---
----- Total
current
liabilities
52,669
51,569 Long-
term debt
166,839
202,797
Deferred
income taxes
and other
liabilities
38,121
34,089 -----
--- --------
Total
liabilities
257,629
288,455 ----
---- -------
- Minority
interest
33,161
27,126
Commitments
and
contingencies
Shareholders'
equity:
Preferred
stock, $0.01
par value,
2,000 shares
authorized,
none issued

and
outstanding
- - Common
stock, $0.01
par value,
75,000
shares
authorized,
29,974
shares
issued and
outstanding
in 2001 and
29,688
issued and
outstanding
in 2000 300
297
Additional
paid-in
capital
141,874
136,445
Retained
earnings
161,232
167,246
Accumulated
other
comprehensive
loss
(16,775)
(9,877)
Deferred
compensation
on
restricted
stock -
(131) ------
-- --------
Total
shareholders'
equity
286,631
293,980 ----
---- -------
- $577,421
$609,561
========
========

See accompanying notes to condensed consolidated financial statements.

PHOTRONICS, INC. AND SUBSIDIARIES

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

(UNAUDITED)

THREE MONTHS
ENDED NINE
MONTHS ENDED

JULY 31, JULY
31, JULY 31,
JULY 31, 2001
2000 2001
2000 --------
-- ----------
---------- --
------- Net
sales $

85,016 $
85,595
$284,145
$234,540
Costs and
expenses:
Cost of sales
60,569 56,676
188,033
158,143
Selling,
general and
administrative
12,979 11,485
39,590 32,913
Research and
development
6,250 5,319
18,236 15,056
Consolidation,
restructuring
and related
charges -
5,500 38,100
23,000 ------
- -------- --
----- -------
Operating
income 5,218
6,615 186
5,428 Other
expenses, net
(2,080)
(1,857)
(6,693)
(3,241) -----
-- -------- -
------ ------
- Income
(loss) before
income taxes
and minority
interest
3,138 4,758
(6,507) 2,187
Provision
(benefit) for
income taxes
500 1,600
(4,000) 800 -
------ ------
-- ------- --
----- Income
(loss) before
minority
interest
2,638 3,158
(2,507) 1,387
Minority
interest in
income of
consolidated
subsidiary
(861) -
(3,505) - ---
---- -------
-------- ----
--- Net
income (loss)
$ 1,777 $
3,158
$(6,012) $
1,387 =======
=======
=======
=======
Earnings
(loss) per
share: Basic
$ 0.06 $ 0.11
$ (0.20) $

0.05 ======
=======
=======
======
Diluted $
0.06 $ 0.11 $
(0.20) $ 0.05
======
=======
=======
======
Weighted
average
number of
common shares
outstanding:
Basic 29,972
29,148 29,865
28,466 ======
====== ======
======
Diluted
29,972 29,148
29,865 28,466
====== ======
====== ======

See accompanying notes to condensed consolidated financial statements.

PHOTRONICS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(IN THOUSANDS)

(UNAUDITED)

NINE MONTHS
ENDED -------

JULY 31, JULY
31, 2001 2000
----------- -

Cash flows
from
operating
activities:
Net income
(loss)
$(6,012) $
1,387
Adjustment to
reconcile net
income (loss)
to net cash
provided by
operating
activities:
Depreciation
and
amortization
54,779 38,817
Deferred
taxes and
other (5,312)
(5,310)
Consolidation,
restructuring
and related
charges
38,100 17,500
Changes in
assets and
liabilities:

Accounts receivable 887 (914) Inventories 476 (583) Other current assets 820 2,606 Accounts payable and accrued liabilities 5,574 (34,317) ------- ------- Net cash provided by operating activities 89,312 19,186 ------- ------- Cash flows from investing activities: Investment in photomask operations (33,798) (34,782) Deposits on and purchases of property, plant and equipment (38,570) (26,918) Other 4,042 3,584 ------- ------- Net cash used in investing activities (68,326) (58,116) ------- ------- Cash flows from financing activities: Borrowings (repayments) of long term debt (36,664) 41,583 Proceeds from issuance of common stock 5,973 28,856 ------- ------- Net cash (used in) provided by financing activities (30,691) 70,439 ------- ------- Effect of exchange rate changes on cash flows (3,771) (878) ------- ------- Net increase (decrease) in cash and cash equivalents (13,476) 30,631 Cash and cash equivalents at beginning of period 38,182 23,115 Adjustment related to Align-Rite's net cash flows from differences in fiscal reporting periods - (3,474) ------- -------- Cash and cash equivalents at end of period $24,706 $50,272 ======= ======= Cash paid during the period for: Interest $ 9,164 $ 7,776 Income taxes $ 239 $ 192

See accompanying notes to condensed consolidated financial statements.

PHOTRONICS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2001
(UNAUDITED)

NOTE 1 - BASIS OF FINANCIAL STATEMENT PRESENTATION

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended July 31, 2001 are not necessarily indicative of the results that may be expected for the year ending October 31, 2001. Certain amounts in the Condensed Consolidated Financial Statements for prior periods have been reclassified to conform to the current presentation. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended October 31, 2000.

NOTE 2 - COMPREHENSIVE INCOME (LOSS)

The following table summarizes comprehensive income (loss) for the three and nine months ended July 31, 2001 and 2000:

THREE MONTHS ENDED NINE MONTHS ENDED ---------------------- - --------------------- JULY 31, JULY 31, JULY 31, JULY 31, 2001 2000

2001 2000 --
------ -----
--- --------
-------- Net
income
(loss) $
1,777 $
3,158 $
(6,012) $
1,387 Other
comprehensive
income
(loss):
Unrealized
gains
(losses) on
investments
4,112 (11)
2,621 5,466
Foreign
currency
translation
adjustments
and other
(3,344)
(3,855)
(9,519)
(12,100) ---
---- -------
-------- ---
----- 768
3,866
(6,898)
(6,634) ----
--- -------
-------- ---
----- $
2,545 $
(708)
$(12,910) $
(5,247)
=======
=======
========
========

NOTE 3 - EARNINGS PER SHARE

Earnings per share ("EPS") amounts are calculated in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS"), SFAS No. 128. Basic EPS is based on the weighted average number of common shares outstanding for the period, excluding any dilutive common share equivalents. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted.

A reconciliation of basic and diluted EPS for the three and nine months ended July 31, 2001 and 2000, respectively, is as follows (in thousands, except per share amounts):

NET
AVERAGE
EARNINGS
INCOME
SHARES
(LOSS)
(LOSS)
OUTSTANDING
(b) PER
SHARE ----
--- ------
----- ----

THREE
MONTHS
2001:
Basic and
diluted

(a) $
1,777
29,972
0.06
=======
======
==== 2000:
Basic and
diluted
(a) $
3,158
29,148
0.11
=======
======
==== NINE
MONTHS
2001:
Basic and
diluted
(a)
$(6,012)
29,865
(0.20)
=======
======
==== 2000:
Basic and
diluted
(a) $
1,387
28,466
0.05
=======
======
====

(a) The effect of the conversion of the convertible subordinated notes and stock options for the three and nine months ended July 31, 2001 and 2000 is anti-dilutive.

(b) If the assumed conversion of convertible subordinated notes and exercise of stock options had been dilutive the incremental additional shares outstanding would have been 4,413 and 4,510 for the three and nine months ended July 31, 2001, respectively, and 4,701 and 4,833 for the three and nine months ended July 31, 2000, respectively.

NOTE 4 - CONSOLIDATION, RESTRUCTURING AND RELATED CHARGES

In April 2001, the Company announced a plan ("the consolidation plan") to consolidate its global photomask manufacturing network in order to increase capacity utilization and manufacturing efficiencies, as well as to accelerate the expansion of its world-class technology development. The Company initiated the consolidation plan as the final phase of its June 2000 merger with Align-Rite. Total consolidation and related charges associated with this plan of $38.1 million were recorded in the second quarter of 2001. Of the total charge, $30.6 million related to the consolidation plan and $7.5 million related to the impairment of intangible assets.

The significant components of the consolidation plan include the closing of the former Align-Rite manufacturing facilities in Burbank, California, Palm Bay, Florida and Heilbronn, Germany within twelve months. The Company anticipates that the closing of these facilities will maximize capacity utilization at its remaining facilities. In addition, the Company will be relocating its Northern California operations to a new, state-of-the-art manufacturing facility in the Silicon Valley region. As part of the plan, the Company will reduce its work force by approximately 125 employees.

The consolidation charge of $30.6 million includes: $4.0 million of cash charges for severance benefits for terminated employees that will be paid during their entitlement periods, principally during the fourth quarter of 2001; $4.5 million for facilities closings and lease termination costs that will be expended

over the projected lease terms; and non-cash charges of $22.1 million that approximate the carrying value of fixed assets that are primarily associated with the consolidation plan based upon their expected disposition.

The charges also included $7.5 million that are related to the impairment in value of associated intangible assets. It was determined during the period that such assets no longer had any future economic benefit to the Company because the anticipated undiscounted cumulative cash flows from these assets were insufficient to support their carrying value.

NOTE 5 - REVOLVING CREDIT AGREEMENT

On June 12, 2001, the Company's $125 million unsecured revolving credit facility was amended in order to modify certain financial covenants and definitions in connection with the consolidation plan. The Company is subject to compliance with and maintenance of certain financial covenants and ratios set forth in the credit facility, as amended.

NOTE 6 - DERIVATIVE INSTURMENTS, HEDGING INSTRUMENTS AND HEDGING ACTIVITIES

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." The new standard requires companies to record derivatives on the balance sheet as assets or liabilities, measured at fair value. Gains or losses resulting from changes in the values of those derivatives are reported in the Statement of Operations or as Accumulated Other Comprehensive Income (Loss), a separate component of Shareholders' Equity, depending on the use of the derivatives and whether they qualify for hedge accounting. In order to qualify for hedge accounting, the derivative must be highly effective in achieving offsetting changes in fair value or cash flows of the hedged items during the term of the hedge. The Company adopted SFAS No. 133, as amended by SFAS No. 138, in the first quarter of fiscal year 2001.

In fiscal year 2001, the Company entered into forward currency contracts to purchase Japanese Yen to hedge the fair value of anticipated transactions to purchase equipment to be settled in Japanese Yen in the next 12 months. Such derivatives have been designated and qualify as cash flow hedging instruments and are reported at fair value. In general, the types of risks hedged are those relating to the variability of future cash flows caused by movements in foreign currency exchange rates. The Company documents its risk management strategy and hedge effectiveness at the inception of and during the term of each hedge. The Company has not recognized any net gains or losses from its forward currency contracts, as these hedges are highly effective, and the forecasted purchase of equipment will occur within the next 12 months. Therefore, any gains or losses are included in Accumulated Other Comprehensive Income (Loss). Cash flow hedges of forecasted transactions resulted in an aggregate debit balance of $775,000 in Accumulated Other Comprehensive Income (Loss) at July 31, 2001. All forecasted transactions currently being hedged are expected to occur within the next 12 months.

NOTE 7 - ACCOUNTING PRONOUNCEMENTS

See "Effects of New Accounting Standards" in Item 2 "Management's Discussion and Analysis of Results of Operations and Financial Condition" elsewhere in this Form 10-Q.

NOTE 8 - SUBSEQUENT EVENT

On August 21, 2001, the Company increased its equity investment in PKL Co., Ltd. (PKL), a Korean photomask manufacturer, to approximately 51%. The Company previously had an investment of approximately 35% in PKL after acquiring 300,000 shares of that Korean company in a tender offer in July 2001. Pursuant to an agreement with certain shareholders of PKL, the Company may acquire an additional 1,000,000 shares, or approximately 32% of PKL.

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

OVERVIEW

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

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

In April 2001, the Company announced a plan ("the consolidation plan") to consolidate its global photomask manufacturing network in order to increase capacity utilization and manufacturing efficiencies, as well as to accelerate the expansion of its world-class technology development. The Company initiated the consolidation plan as the final phase of its June 2000 merger with Align-Rite. Total consolidation and related charges associated with this plan of $38.1 million were recorded in the second quarter of 2001. Of the total charge, $30.6 million related to the consolidation plan and $7.5 million related to the impairment of intangible assets.

The significant components of the consolidation plan include the closing of the former Align-Rite manufacturing facilities in Burbank, California, Palm Bay, Florida and Heilbronn, Germany within twelve months. The Company anticipates that the closing of these facilities will maximize capacity utilization at its remaining facilities. In addition, the Company will be relocating its Northern California operations to a new, state-of-the-art manufacturing facility in the Silicon Valley region. As part of the plan, the Company will reduce its work force by approximately 125 employees.

The consolidation charge of $30.6 million includes: $4.0 million of cash charges for severance benefits for terminated employees that will be paid over their entitlement periods, principally during the fourth quarter of 2001; $4.5 million for facilities closings and lease termination costs that will be expended over the projected lease terms; and non-cash charges of $22.1 million that approximate the carrying value of fixed assets that are primarily associated with the consolidation plan based upon their expected disposition.

The charges also included $7.5 million that are related to the impairment in value of associated intangible assets. It was determined during the period that such assets no longer had any future economic benefit to the Company because the anticipated undiscounted cumulative cash flows from these assets were insufficient to support their carrying value.

During March 2000, the Company implemented a plan to consolidate its mature products group in order to increase capacity utilization, manufacturing efficiencies and customer service activities worldwide. Total restructuring and related charges associated with this plan of $17.5 million were recorded in the second quarter of fiscal 2000. Of the total charge, $9.1 million related to restructuring and $8.4 million related to the impairment of intangible assets.

MATERIAL CHANGES IN RESULTS OF OPERATIONS
THREE AND NINE MONTHS ENDED JULY 31, 2001 VERSUS JULY 31, 2000

The following tables represent selected financial information, expressed as a percentage of net sales, and pro forma earnings per diluted share, respectively:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JULY 31, 2001	JULY 31, 2000	JULY 31, 2001	JULY 31, 2000
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	71.2	66.2	66.2	67.4
Gross margin	28.8	33.8	33.8	

32.6 Selling, general and administrative expenses 15.3 13.4 13.9 14.0 Research and development expenses 7.4 6.2 6.4 6.4 ------- ------- ------- ------- Operating income before consolidation, restructuring and related charges 6.1% 14.2% 13.5% 12.1% ======= ======= ======= ======= Pro forma earnings (loss) per diluted share: Net income, excluding consolidation, restructuring and related charges $ 0.06 $ 0.24 $ 0.67 $ 0.57 ======= ======= ======= =======

Net sales for the three months ended July 31, 2001 decreased 0.7% to $85.0 million as compared to $85.6 for the comparable prior year period. The decrease was primarily related to the rapid cyclical downturn in the semiconductor industry primarily in the United States. The decrease, however, was partially mitigated by the inclusion of the Company's new Taiwan operation in 2001. Net sales for the nine months ended July 31, 2001 increased 21.1% to $284.1 million as compared to $234.5 million for the comparable prior year period. The increase in 2001 is primarily related to the inclusion of Taiwan, increases in unit volumes, market share, and higher average selling prices resulting from an improved mix of high-end technology products. International operations accounted for 40.0% and 37.1% of sales for the three and nine months ended July 31, 2001, respectively, compared to 33.0% and 28.5% in the corresponding prior year periods.

Gross margins for the three months ended July 31, 2001 decreased to 28.8% from 33.8% for the comparable prior year period primarily as a result of lower absorption of higher fixed costs associated with the downturn in the semiconductor industry. Gross margins for nine months ended July 31, 2001 increased to 33.8% compared to 32.6% for the corresponding prior year period. The gross margin increase was attributable to higher utilization of our fixed equipment cost base, primarily during the first six months of 2001, as well as a greater mix of higher margin products.

Selling, general and administrative expenses increased 13.0% to $13.0 million and 20.3% to $39.6 million for the three and nine months ended July 31, 2001, respectively, compared with $11.5 million and $32.9 million for the same periods in the prior fiscal year. As a percentage of net sales, selling, general and administrative expenses were 15.3% and 13.9% in the three and nine month periods ended July 31, 2001, respectively, compared with 13.4% and 14.0% for the same periods in the prior fiscal year. The higher expenses for the three and nine months ended July 31, 2001 were principally due to costs associated with the Company's expansion, both domestically and internationally, including costs incurred in Taiwan, and growth of the Company's information technology infrastructure.

Research and development expenses increased 17.5% to $6.3 million and 21.1% to $18.2 million for the three and nine months ended July 31, 2001, respectively, compared with $5.3 million and $15.1 million for the same periods in the prior fiscal year. As a percentage of net sales, research and development expenses were 7.4% and 6.4%, respectively, compared with 6.2% and 6.4% for the same periods in the prior fiscal year. This increase in costs reflects the continuing development efforts of advanced, sub-wavelength reticle solutions, primarily in the United States and Taiwan, and in Next Generation Lithography (NGL) applications.

Net other expenses of $2.1 million and $6.7 million for the three and nine months ended July 31, 2001, respectively, increased $0.2 million and $3.5 million, respectively, as a result of higher interest costs, principally resulting from borrowings in connection with the Company's investments in Asia.

Minority interest for the three and nine months ended July 31, 2001 was $0.9 million and $3.5 million, respectively, and reflects the minority interest in earnings of the Company's subsidiary in Taiwan.

Net income (loss) for the three and nine months ended July 31, 2001, decreased to $1.8 million and ($6.0) million, respectively, or $0.06 and ($0.20) per diluted share. These amounts compare to $3.2 million, or $0.11 per diluted share, and $1.4 million, or $0.05 per diluted share, for the corresponding prior year periods. Fiscal year 2001 includes the effect of the consolidation and related charges amounting to $26.1 million after tax, or $0.75 per diluted share. Fiscal year 2000 includes the effect of the restructuring and related charges amounting to $14.8 million after tax, or $0.52 per diluted share.

LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital at July 31, 2001 was $77.8 million compared to $87.0 million at October 31, 2000. The decrease in working capital was due primarily to lower cash balances resulting from repayments of borrowings under the Company's unsecured revolving credit line. Cash and cash equivalents at July 31, 2001 were $24.7 million compared to $38.2 million at October 31, 2000. Cash

provided by operating activities for the nine months ended July 31, 2001 amounted to $89.3 million compared to $19.2 million in the corresponding prior year period. This increase is primarily attributable to higher income in 2001 before depreciation, amortization and restructuring charges and the net change in working capital principally due to the timing of progress payments for capital equipment coming due during the respective periods.

Cash used in investing activities of $68.3 million for the nine months ended July 31, 2001, consisted principally of capital equipment purchases and additional investments in photomask operations in Asia.

Cash used in financing activities of $30.7 million for the ninth months ended July 31, 2001, included net repayments of borrowings of $36.7 million, partially offset by $6.0 million of proceeds from the exercise of employee stock options.

On June 12, 2001, the Company's $125 million unsecured revolving credit facility was amended in order to modify certain financial covenants and definitions in connection with the consolidation plan. The Company is subject to compliance with and maintenance of certain financial covenants and ratios set forth in the credit facility, as amended. The Company had $41.6 million of outstanding borrowings and $83.4 million available under the revolving credit facility at July 31, 2001.

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." The new standard requires companies to record derivatives on the balance sheet as assets or liabilities, measured at fair value. Gains or losses resulting from changes in the values of those derivatives are reported in the Statement of Operations or as Accumulated Other Comprehensive Income (Loss), a separate component of Shareholders' Equity, depending on the use of the derivatives and whether they qualify for hedge accounting. In order to qualify for hedge accounting, the derivative must be highly effective in achieving offsetting changes in fair value or cash flows of the hedged items during the term of the hedge. The Company adopted SFAS No. 133, as amended by SFAS No. 138, in the first quarter of fiscal year 2001.

In fiscal year 2001, the Company entered into forward currency contracts to purchase Japanese Yen to hedge the fair value of anticipated transactions to purchase equipment to be settled in Japanese Yen in the next

12 months. Such derivatives have been designated and qualify as cash flow hedging instruments and are reported at fair value. In general, the types of risks hedged are those relating to the variability of future cash flows caused by movements in foreign currency exchange rates. The Company documents its risk management strategy and hedge effectiveness at the inception of and during the term of each hedge. The Company has not recognized any net gains or losses from its forward currency contracts, as these hedges are highly effective, and the forecasted purchase of equipment will occur within the next 12 months. Therefore, any gains or losses are included in Accumulated Other Comprehensive Income (Loss). Cash flow hedges of forecasted transactions resulted in an aggregate debit balance of $775,000 in Accumulated Other Comprehensive Income (Loss) at July 31, 2001. All forecasted transactions currently being hedged are expected to occur within the next 12 months.

Photronics' commitments represent investments in additional manufacturing capacity as well as advanced equipment for the production of high-end, more complex photomasks. At July 31, 2001, Photronics had commitments outstanding for capital expenditures of approximately $90 million. Additional commitments for capital requirements are expected to be incurred during fiscal 2001. Photronics will continue to use its working capital and bank lines of credit to finance its capital expenditures. Photronics believes that its currently available resources, together with its capacity for substantial growth and its access to other debt and equity financing sources, are sufficient to satisfy its currently planned capital expenditures, as well as its anticipated working capital requirements for the foreseeable future.

EFFECT OF NEW ACCOUNTING STANDARDS

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

The Financial Accounting Standards Board has issued SFAS No. 141, "Business Combinations" and SFAS No. 142 "Goodwill and other Intangible Assets." SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 and that the use of the pooling-of-interests method is no longer allowed. SFAS No. 142 requires that, upon adoption, amortization of goodwill will cease and, instead, the carrying value of goodwill will be evaluated for impairment on an annual basis. Identifiable intangible assets will continue to be amortized over their useful lives and reviewed for impairment in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." SFAS No. 142 is effective for fiscal years beginning after December 15, 2001; however, the Company may elect early adoption of the Statement on November 1, 2001, the beginning of its 2002 fiscal year. The Company is evaluating the impact of the adoption of these standards and has not yet determined the effect of adoption on its consolidated financial position and results of operations.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company, in the normal course of doing business, is exposed to the risks associated with foreign currency exchange rates and changes in interest rates.

FOREIGN CURRENCY EXCHANGE RATE RISK

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

INTEREST RATE RISK

The majority of the Company's borrowings are in the form of its convertible subordinated notes, which bear interest at the fixed rate of 6%, its unsecured revolving credit facility, which currently bears interest between 5% and 8% and secured notes payable which bear interest between 6% and 8%. The Company does not expect changes in interest rates to have a material effect on income or cash flows in the near term, although there can be no assurances that interest rates will not significantly change.

FORWARD LOOKING INFORMATION

Certain statements in this report are considered "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All forward looking statements involve risks and uncertainties. For a description of the factors that could cause the actual results of the Company to be materially different from those projected, please review the Company's SEC reports that detail these risks and uncertainties and the section captioned "Forward Looking Information" contained in the Company's Annual Report on Form 10-K for the year ended October 31, 2000. Any forward looking statements should be considered in light of these factors.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

See Exhibits Index.

(b) Reports on Form 8-K

SIGNATURES

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

PHOTRONICS, INC.
Registrant

By: /s/ ROBERT J. BOLLO

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

Date: September 13, 2001

EXHIBITS INDEX

EXHIBIT NO.	DESCRIPTION
10	Put/Call Option Agreement dated August 21, 2001, by and among Photronics, Inc., Photo (L) Limited, Mask (L) Limited, Lakeway (L) Limited and March (L) Limited, The HSBC Private

Equity Fund
2 Limited,
The HSBC
Private
Equity Fund,
L.P., Taiwan
Mask Corp.
and Blue
Water
Ventures
International
Ltd.

PUT/CALL OPTION AGREEMENT

THIS PUT/CALL OPTION AGREEMENT (the "Agreement") is made as of August 21, 2001 (the "Effective Date"), by and among PHOTRONICS, INC., a company organized under the laws of the State of Connecticut ("Purchaser"), PHOTO (L) LIMITED ("Photo"), MASK (L) LIMITED ("Mask"), LAKEWAY (L) LIMITED ("Lakeway") and MARCH (L) LIMITED ("March") (Photo, Mask, Lakeway and March are collectively referred to herein as the "Sellers," and individually as a "Seller"), The HSBC Private Equity Fund 2 Limited ("HPEF2"), The HSBC Private Equity Fund, L.P. ("HPEF"), Taiwan Mask Corp ("TMC") and Blue Water Ventures International Ltd. ("BWVI") (HPEF2, HPEF, TMC and BWVI are collectively referred to herein as the "Parent Entities," and individually as the "Parent Entity").

RECITALS

A. The Sellers are selling to Purchaser a certain number of shares they own in PKL, a company organized under the laws of the Republic of Korea (the "Company"), pursuant to that certain Stock Purchase Agreement dated as of the date hereof by and among Purchaser, Sellers and Parent Entities (the "Stock Purchase Agreement"); and

B. As a condition to entering into the Stock Purchase Agreement and subject to and in accordance with all of the terms and conditions of this Agreement, Purchaser wishes to grant to Sellers a put right to sell shares of common stock of the Company owned by Sellers to Purchaser (the "Option Shares") and Sellers wish to grant to Purchaser a call right to require each Seller to sell to Purchaser the Option Shares.

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

1. PUT OPTION.

1.1 GRANT OF PUT OPTION. Purchaser hereby grants to each Seller the right (the "Put Option") to require, at any time or from time to time during the period commencing six (6) months after the Effective Date and expiring on the Put Expiration Date (defined below) (such period being the "Put Option Exercise Period"), Purchaser to purchase up to the number of the Option Shares held by such Seller listed next to its name in Schedule 1 attached hereto in consideration for a purchase price for each Option Share equal in amount to that number which is one and forty-one hundredths (1.41) times the closing price of the Purchaser's common stock on the NASDAQ National Market (or such other principal trading market for the Purchaser's common stock) on the date of exercise of such Put Option (the "Put Purchase Price"), which shall be payable in cash, or such other consideration as the parties may agree at such time, PROVIDED THAT, each Seller must exercise the Put Option at any one time for at least the lesser of (i) twenty percent (20%) of the Option Shares listed next to its name in Schedule I and (ii) the remaining number of Option Shares then held by such Seller, and SUBJECT ALWAYS to applicable laws.

1.2 PUT EXPIRATION DATE. The Put Option will expire on the fourth (4th) anniversary of the Effective Date (the "Put Expiration Date").

1.3 MANNER OF EXERCISING PUT OPTION.

(a) The Put Option shall be exercisable by each Seller by delivery of an executed Put Option Notice (in the form attached hereto as EXHIBIT A) to the Purchaser during the Put Option Exercise Period.

(b) Upon proper exercise of the Put Option, within ten (10) business days of receipt of such notice, Purchaser shall deliver to such Seller the Put Purchase Price for each Option Share listed in the Put Option Notice and Seller shall transfer the applicable number of Option Shares listed in the Put Option Notice to Purchaser by delivery of the certificate or certificates representing such Option Shares duly endorsed for transfer or accompanied by a stock power. Such Seller and Purchaser shall cooperate to take all actions reasonably necessary or appropriate to effect the transfer to Purchaser of the applicable number of Option Shares and to consummate the other transactions contemplated by this Agreement or the Put Option Notice.

1.4 CONSIDERATION FOR THE PUT OPTION. In consideration of the grant of the Put Option to the Sellers by Purchaser, the Sellers have granted to Purchaser the Call Option under Section 2 below.

1.5 TRANSFER OF PUT OPTION. Each Seller's rights and obligations under the Put Option are not assignable or transferable by such Seller without the prior written consent of Purchaser which consent shall not be unreasonably withheld and PROVIDED THAT such transfer shall be made in accordance with all applicable laws and that such transferee agrees in writing to be bound by the terms of this Agreement and any other agreement which the parties enter into in connection with this Agreement. Purchaser's rights and obligations under the Put Option are not assignable or transferable by Purchaser without the prior written consent of Sellers holding a majority of the Option Shares which consent shall not be unreasonably withheld, EXCEPT THAT Purchaser may assign and transfer any or all of Purchaser's rights and obligations under the Put Option in connection with a transaction in which Section 3(b) hereof applies without any consent from the Sellers.

2. CALL OPTION

2.1 GRANT OF CALL OPTION. Subject to the terms and conditions herein set forth, each Seller hereby grants Purchaser the right (the "Call Option") to require, at any time or from to time to time during the period commencing on the second (2nd) anniversary of the Effective Date and expiring on the Call Expiration Date (defined below) (such period being the "Call Option Exercise Period"), such Seller to sell to Purchaser up to the number of Option Shares equal to the lesser of (i) the number of Option Shares listed next to such Seller's name in Schedule I and (ii) the number of Option Shares held by the Sellers on the date of exercise of the Call Option in consideration for a purchase price for each Option Share equal in amount to that number which is one and forty-one hundredths (1.41) times the closing price of the Purchaser's common stock on the NASDAQ National Market (or such other principal trading market for the Purchaser's common stock) on the date of exercise of such Call Option (the "Call Purchase

Price"), which shall be payable in cash, or such other consideration as the parties may agree at such time; PROVIDED THAT the Purchaser may exercise the Call Option only if the closing price of Purchaser's common stock listed on the NASDAQ National Market shall have been at least forty-five dollars ($45.00) for any thirty (30) consecutive business days occurring after the second (2nd) anniversary of the date of this Agreement and immediately prior to the exercise of the Call Option; and PROVIDED FURTHER THAT the Purchaser must exercise the Call Option at any one time for at least the lesser of, in aggregate, (i) fifty thousand (50,000) Option Shares and (ii) the remaining number of Option Shares then held by each Seller or transferees of the Sellers; and PROVIDED FURTHER THAT, to the extent exercised by the Purchaser, the Call Option must be exercised concurrently, on a pro rata basis (in proportion to the total number of Option Shares subject to the Call Option held by each Seller or transferee(s) of the Sellers on the date of exercise of the Call Option), against Option Shares held by all Sellers or transferee(s) of the Sellers.

2.2 CALL EXPIRATION DATE. The Call Option will expire on the fourth (4th) anniversary of the Effective Date (the "Call Expiration Date").

2.3 MANNER OF EXERCISING CALL OPTION.

(a) The Call Option shall be exercisable by Purchaser by delivery of an executed Call Option Notice (in the form attached hereto as EXHIBIT B) to all of the Sellers during the Call Option Exercise Period.

(b) Upon proper exercise of the Call Option, within ten (10) business days of receipt of such notice and upon receipt by Purchaser from each Seller the representations and warranties set forth in the Call Option Notice, each Seller shall transfer the applicable number of Option Shares listed in the Call Option Notice to Purchaser by delivery of the certificate or certificates representing such Option Shares duly endorsed for transfer or accompanied by a stock power, and Purchaser shall deliver to such Seller the Call Purchase Price for each Option Share listed in the Call Option Notice. Such Seller and Purchaser shall cooperate to take all actions reasonably necessary or appropriate to effect the transfer to Purchaser of the applicable number of Option Shares and to consummate the other transactions contemplated by this Agreement or the Call Option Notice.

2.4 CONSIDERATION FOR THE CALL OPTION. In consideration of the grant of the Call Option to Purchaser by the Sellers, Purchaser has granted to the Sellers the Put Option under Section 1 above.

2.5 TRANSFER OF CALL OPTION. Each Seller's rights and obligations under the Call Option are not assignable or transferable by such

Seller without the prior written consent of Purchaser which consent shall not be unreasonably withheld and PROVIDED THAT such transfer is made in accordance with all applicable laws and that such transferee agrees in writing to be bound by the terms of this Agreement and any other agreement which the parties enter into in connection with this Agreement; PROVIDED, HOWEVER, that the Sellers may sell, transfer or otherwise dispose of any Option Shares free and clear of any rights or obligations under this Agreement without the prior written consent of the Purchaser and without the transferee agreeing to be bound by the terms of this Agreement or any other agreement which the parties enter into in connection with this Agreement. Purchaser's rights and obligations under the Call Option are

not assignable or transferable by Purchaser without the prior written consent of Sellers holding a majority of the Option Shares which consent shall not be unreasonably withheld, EXCEPT THAT Purchaser may assign and transfer any or all of Purchaser's rights and obligations under the Call Option in connection with a transaction in which Section 3(b) hereof applies without any consent from the Sellers.

3. ADJUSTMENT OF NUMBER OF SHARES; SUBSTITUTE SHARES.

(a) If between the date of this Agreement and the date of expiration of the Put Option or the Call Option, as the case may be, the outstanding shares of common stock of the Purchaser or the outstanding shares of common stock of the Company shall have been changed into a different number of shares or a different class, by reason of any stock dividend, subdivision, reclassification, recapitalization, split, combination or exchange of shares or other similar change in capital structure, the Put Purchase Price or the Call Purchase Price shall be correspondingly adjusted to the extent appropriate to reflect equitably such stock dividend, subdivision, reclassification, recapitalization, split, combination or exchange of shares.

(b) REORGANIZATION EVENT. In case of any Reorganization Event (as defined below), if the Put Option has not been exercised in full by all Sellers by the effective date of such transaction, the Purchaser shall, as a condition precedent to the consummation of the transaction constituting, or announced as, such Reorganization Event, cause effective provisions to be made so that the Sellers shall have the right immediately thereafter, by exercising the Put Option, to receive whatever property that was receivable upon such Reorganization Event had the Sellers exercised the Put Option immediately prior to such Reorganization Event. Any such provision shall include provision for adjustments in respect of such property that shall be as nearly equivalent as may be practicable to the adjustments provided for in Section 3(a). The foregoing provisions of this Section 3(b) shall similarly apply to successive Reorganization Events. "Reorganization Event" means (i) any capital reorganization or reclassification of the Purchaser's common stock (other than as a result of a subdivision, combination or stock dividend for which adjustment is provided in Section 3(a) hereof), or (ii) any consolidation of the Purchaser with, or merger of the Purchaser with or into, another person (including any individual, partnership, joint venture, corporation, trust or group thereof) (other than a consolidation or merger in which the Purchaser is the continuing corporation or which does not result in a reclassification or change of the outstanding Purchaser's common stock or for which adjustment is provided in Section 3(a) hereof) or any sale, lease, transfer or conveyance of all or substantially all of the property and assets of the Purchaser.

(c) CHANGE OF CONTROL. Notwithstanding anything to the contrary in Section 1.1 of this Agreement, if a Change in Control (as defined below) of the Purchaser occurs prior to the date six (6) months after the Effective Date, the Put Option Exercise Period shall commence upon the occurrence of such Change in Control. A "CHANGE IN CONTROL" of the Purchaser shall be deemed to have occurred when:

(i) After the date hereof, any person or entity is or becomes the beneficial owner, directly or indirectly, of securities of the Purchaser representing twenty percent (20%) or more of the combined voting power of the Purchaser's then outstanding securities; or

(ii) The individuals who, on the date of this Agreement, constitute the Board of Directors of Purchaser cease for any reason to constitute a majority of the number of directors then serving; or

(iii) There is consummated a merger or consolidation of the

Purchaser or any direct or indirect subsidiary of the Purchaser with any other corporation, other than a merger or consolidation that would result in the voting securities of the Purchaser outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least fifty percent (50%) of the combined voting power of the securities of the Purchaser or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; or

(iv) The shareholders of the Purchaser approve a plan of complete liquidation or dissolution of the Purchaser or there is consummated an agreement for the sale or disposition by the Purchaser of all or substantially all of the Purchaser's assets, other than a sale or disposition by the Purchaser of all or substantially all of the Purchaser's assets to an entity, at least fifty percent (50%) of the combined voting power of the voting securities of which are owned by shareholders of the Purchaser in substantially the same proportions as their ownership of the Purchaser immediately prior to such sale.

4. COVENANTS.

4.1 SELLERS' COVENANT.

(a) After HPEF2 and HPEF and their affiliates cease to own at least 200,000 shares of the Company in the aggregate, HPEF2 and HPEF shall use their reasonable best efforts to cause any person designated to the Board of Directors of the Company by HPEF2 or HPEF or their affiliates to resign from the Board of Directors of the Company as promptly as practicable.

(b) After TMC and BWVI and their affiliates cease to own at least 200,000 shares of the Company in the aggregate, TMC and BWVI shall use their reasonable best efforts to cause any person designated to the Board of Directors of the Company by TMC or BWVI or their affiliates to resign from the Board of Directors of the Company as promptly as practicable.

4.2. PURCHASER'S COVENANTS. (a) During the Put Option Exercise Period, Purchaser agrees that it will use its reasonable best efforts to cause the Company to refrain from issuing new shares of common stock for a purchase price that is lower than the higher of (i) Korean Won twenty eight thousand (KRW 28,000) or (ii) the average closing price of the Company's shares on the Korea Securities Dealers Association Stock Market for the previous thirty (30) days prior to the date of the approval of such new issuance by the Board of Directors of the Company, PROVIDED THAT, Purchaser shall be relieved from this covenant if in the opinion of counsel to Purchaser in such instance the compliance with this covenant may or is likely to conflict with or result in violation or breach of any obligations under any applicable laws and regulations.

(b) Purchaser shall use its best efforts to take, or cause to be taken, all appropriate

action and do, or cause to be done, all things necessary, proper or advisable to perform its obligations under this Agreement, the Call Option Notice or Put Option Notice, including, but not limited to, obtaining any third party consents, prior to the delivery of a Call Option Notice or as soon as practicable upon receipt of a Put Option Notice.

4.3. MUTUAL COVENANTS. (a) For so long as HPEF2 and HPEF and their affiliates own at least 200,000 shares of the Company in the aggregate, (i) Purchaser shall take all actions necessary to cause one person designated by HPEF2 and HPEF to be appointed to the Board of Directors of the Company, PROVIDED THAT, Purchaser shall be relieved from this covenant to the extent necessary in order to ensure that its nominees constitute a majority of the Board of Directors of the Company and (ii) HPEF2 and HPEF shall take all actions necessary to vote for the Purchaser's nominees to the Board of Directors of the Company which would represent a majority of such Board of Directors.

(b) For so long as TMC and BWVI and their affiliates own at least 200,000 shares of the Company in the aggregate, (i) Purchaser shall take all actions necessary to cause one person designated by TMC and BWVI to be appointed to the Board of Directors of the Company, PROVIDED THAT, Purchaser shall be relieved from this covenant to the extent necessary in order to ensure that its nominees constitute a majority of the Board of Directors of the Company and (ii) TMC and BWVI shall take all actions necessary to vote for the Purchaser's nominees to the Board of Directors of the Company which would represent a majority of such Board of Directors.

5. SELLER INDEMNIFICATION.

5.1 Each Seller agrees, severally and not jointly, to indemnify, defend and hold harmless Purchaser (and its directors, officers, employees, affiliates, agents, representatives, successors and assigns) from and against any and all losses, liabilities, damages, demands, actions, claims, judgments or causes of action, costs or expenses (including, without limitation, interest, penalties and reasonable attorneys' fees) (a "Loss") based upon, arising out of or otherwise in respect of any inaccuracy in or any breach of any representation, warranty, covenant or agreement of such Seller made in this Agreement, the Put Option Notice or Call Option Notice. The representations and warranties set forth in this Agreement shall survive the date hereof for a period of two (2) years and the representations and warranties set forth in the Put Option Notice or Call Option Notice shall survive the date of payment of the Put Purchase Price or Call Purchase Price, as the case may be, to the Seller in connection with the exercise of the respective Put Option or Call Option for a period of two (2) years.

5.2 Notwithstanding anything to the contrary contained in this Agreement, (i) the maximum aggregate amount of indemnifiable Losses which may be recovered from any Seller based upon, arising out of or otherwise in respect of any inaccuracy in or breach of any representation or warranty of such Seller made in this Agreement, the Put Option Notice or Call Option Notice shall be the amount equal to 100% of the Put Purchase Price or Call Purchase Price to which such Seller is entitled in connection with the exercise of the respective Put Option or Call Option, and (ii) no indemnification payment by the Sellers with respect to any indemnifiable Loss otherwise payable pursuant to Section 5.1 shall be payable until such time as all of such indemnifiable Losses shall aggregate to more than $50,000, after which time all

Losses indemnifiable pursuant to this Section 5.1, including such $50,000, shall be payable.

6. MISCELLANEOUS.

6.1 AMENDMENT. This Agreement may be amended only by a writing signed by the Sellers holding a majority of the total number of the Option Shares and Purchaser. Any amendment or waiver effected in accordance with this paragraph shall be binding upon each Seller and Purchaser.

6.2 ENTIRE AGREEMENT; CONTROLLING DOCUMENT. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes any and all prior negotiations, correspondence and understandings between the parties with respect to the subject matter hereof, whether oral or in writing.

6.3 COSTS OF ENFORCEMENT. If any party to this Agreement seeks to enforce its rights under this Agreement by legal proceedings or otherwise, the non-prevailing party shall pay all costs and expenses incurred by the prevailing party, including, without limitation, all reasonable attorneys' fees.

6.4 GOVERNING LAW, CONSENT TO JURISDICTION. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts entered into by New York residents and to be performed wholly in the State of New York.

6.5 TAXATION. Purchaser makes no representations regarding the tax treatment of these payments by any foreign, federal, state or local tax authority. The Seller shall be solely responsible to pay any and all applicable Korean securities transaction tax, stamp tax, withholding tax, capital gains tax, and any and all tax payments imposed or levied in connection with this Agreement or the transactions contemplated hereunder; PROVIDED, HOWEVER, that the Purchaser shall be solely responsible to pay, if any, all deemed acquisition taxes imposed in connection with this Agreement or the transactions contemplated hereunder.

6.6 NOTICES. All notices, requests, demands, consents, instructions or other communications to or upon any party hereto under this Agreement shall be made pursuant to the Stock Purchase Agreement.

6.7 COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

6.8 SEVERABILITY. If any provision of this Agreement shall be determined to be invalid or unenforceable, the remainder shall be valid and enforceable to the maximum extent possible so long as the economic or legal substance of the transactions contemplated hereby are not affected in any manner materially adverse to any party.

6.9 HEADINGS. The section headings used in this Agreement are intended principally for convenience and shall not by themselves, determine the rights and obligations of the parties to this Agreement.

6.10 DELAY AND WAIVER. No delay on the part of either party in exercising any right under this Agreement shall operate as a waiver of such right. The waiver by either party of any term or condition of this Agreement shall not be construed as a waiver of a subsequent breach or failure of the same term or condition or a waiver of any other term or condition contained in this Agreement.

6.11 SUCCESSORS AND ASSIGNS. The terms and conditions of this Agreement shall inure to the benefit of and shall be binding upon the respective heirs, successors, administrators, executors and permitted assigns of the parties hereto.

6.12 RECITALS AND EXHIBITS. The Recitals above and all Exhibits attached hereto hereby are incorporated in and made an integral part of this Agreement.

[Signatures on next page]

IN WITNESS WHEREOF, the undersigned have executed this Agreement the day and year first above written.

PURCHASER

PHOTRONICS, INC.

By:

Name:

Title:

SELLERS

For and on behalf of:

PHOTO (L) LIMITED

By:

Name:

Title: As attorney in fact

For and on behalf of:

MASK (L) LIMITED

By:

Name:

Title: As attorney in fact

LAKEWAY (L) LIMITED

By:

Name:

Title:

MARCH (L) LIMITED

By:

Name:

Title:

PARENT ENTITIES

For and on behalf of:

THE HSBC PRIVATE EQUITY FUND
2 LIMITED

By:

Name:

Title: As attorney in fact

For and on behalf of:

THE HSBC PRIVATE EQUITY FUND, L.P.

By:

Name:

Title: As attorney in fact

TAIWAN MASK CORP.

By:

Name:

Title:

BLUE WATERS VENTURES
INTERNATIONAL, LTD.

By:

Name:

Title:

SCHEDULE I

SELLER	NUMBER OF OPTION SHARES HELD
Photo (L) Limited	208,257
Mask (L) Limited	419,886
Lakeway (L) Limited	309,881
March (L) Limited	61,976
TOTAL	1,000,000

EXHIBIT A

PUT OPTION NOTICE

(To be signed only upon exercise of Put Option)

To: Purchaser:

_______________ (the "Seller"), pursuant to the Put/Call Option Agreement dated as of August 21, 2001 ("Agreement") between the Seller and Purchaser ("Purchaser"), hereby irrevocably elects to exercise a right represented by the Put Option (as defined in the Agreement) to sell to the Purchaser _______________ shares of Common Stock of PKL Limited (the "Option Shares") in exchange for $__________ payable in cash, or such other consideration as the parties may agree. The undersigned hereby covenants to cause such shares to be transferred to Purchaser by delivery of the certificate or certificates representing such Option Shares duly endorsed for transfer or accompanied by a stock power, and that all other actions be taken as are reasonably necessary to transfer title to such other property subject to the Put Option.

In addition, the Seller represents and warrants as follows:

1. OWNERSHIP OF THE SHARES; NO SHAREHOLDER OR VOTING AGREEMENT. The Seller is the owner, beneficially and of record, of all the Option Shares and, on the date hereof and on the date of payment of the Put Purchase Price for the Option Shares, the Option Shares are and will be free and clear of all liens, mortgages, deeds of trust, charges, contracts, encumbrances, security or other agreements, shareholders agreements, commitments, rights, equities, options, warrants, claims, charges, registered or unregistered pledges, rights of any third party or any other restrictions (collectively and individually each as "Encumbrance"). The Seller has the full right, power, legal capacity and authority to enter into and perform its obligations under this Notice, including the transfer of the Option Shares to Purchaser, and to take any action necessary

or appropriate to effect the transactions referred to in or contemplated by this Notice without the consent of any other person, entity or governmental authority. The Seller has not entered into, nor are the Option Shares subject to, any shareholders agreement, voting agreement, or any agreement which gives another person any right to purchase the Option Shares from the Seller.

2. REQUIRED CONSENTS. Other than the notification to the relevant foreign exchange bank for the transfer of the Option Shares to Purchaser in accordance with the provisions of the Foreign Investment Promotion Act ("FIPA") of the Republic of Korea and a post-closing notification of the transfer of the Option Shares to relevant Korean securities authorities, no consent, approval or authorization of, or declaration, filing or registration with, any governmental or regulatory authority, or any other person or entity, is required to be made or obtained by the Seller in connection with the sale of the Option Shares. The Seller is not a party to or bound by any mortgage, lien, deed of trust, lease, agreement, instrument, order, legend, condition, judgment or decree which requires the consent of another to such sale or prohibits or requires the consent of another to, or makes unduly burdensome, such sale.

The representatives and warranties set forth in this Notice shall survive the payment of the Put Purchase Price to the Seller in connection with the exercise of the Put Option pursuant to this Notice for a period of two (2) years.

Dated:

SELLER'S NAME

By:

Name:
Title:

EXHIBIT B

CALL OPTION NOTICE

(To be signed only upon exercise of Call Option)

To: [NAME OF SELLER]

Purchaser ("Purchaser"), pursuant to the Put/Call Option Agreement dated as of August 21, 2001 ("Agreement") between Purchaser and the above named party (the "Seller"), hereby irrevocably elects to exercise the right represented by the Call Option (as defined in the Agreement) to purchase under that Call Option

_______________ shares of Common Stock of PKL Limited (the "Option Shares") and herewith agrees to pay $____________ payable in cash, or such other consideration as the parties may agree. The undersigned hereby requests that such shares be transferred to Purchaser by delivery of the certificate or certificates representing such Option Shares duly endorsed for transfer or accompanied by a stock power, and that all other actions be taken as are reasonably necessary to transfer title to such other property subject to the Call Option.

Please also make the representations and warranties set forth below and return a signed copy of this Call Option Notice to us within three (3) business days of receipt of this Notice.

Dated:

Purchaser

By:

Name:
Title:

The undersigned Seller hereby represents and warrants as follows:

1. OWNERSHIP OF THE SHARES; NO SHAREHOLDER OR VOTING AGREEMENT. The Seller is the owner, beneficially and of record, of all the Option Shares and, on the date hereof and on the date of payment of the Call Purchase Price for the Option Shares, the Option Shares are and will be free and clear of all liens, mortgages, deeds of trust, charges, contracts, encumbrances, security or other agreements, shareholders agreements, commitments, rights, equities, options, warrants, claims, charges, registered or unregistered pledges, rights of any third party or any other restrictions (collectively and individually each as "Encumbrance"). The Seller has the full right, power, legal capacity and authority to enter into and perform its obligations under this Notice, including the transfer of the Option Shares to Purchaser, and to take any action necessary or appropriate to effect the transactions referred to in or contemplated by this Notice without the consent of any other person, entity or governmental authority. The Seller has not entered into,

nor are the Option Shares subject to, any shareholders agreement, voting agreement, or any agreement which gives another person any right to purchase the Option Shares from the Seller.

2. REQUIRED CONSENTS. Other than the notification to the relevant foreign exchange bank for the transfer of the Option Shares to Purchaser in accordance with the provisions of the Foreign Investment Promotion Act ("FIPA") of the Republic of Korea and a post-closing notification of the transfer of the Option Shares to relevant Korean securities authorities, no consent, approval or authorization of, or declaration, filing or registration with, any governmental or regulatory authority, or any other person or entity, is required to be made or obtained by the Seller in connection with the sale of the Option Shares. The Seller is not a party to or bound by any mortgage, lien, deed of trust, lease, agreement, instrument, order, legend, condition, judgment or decree which requires the consent of another to such sale or prohibits or requires the consent of another to, or makes unduly burdensome, such sale.

The representatives and warranties set forth in this Notice shall survive the payment of the Call Purchase Price to the Seller in connection with the exercise of the Call Option pursuant to this Notice for a period of two (2) years.

Dated:

SELLER'S NAME

By:

Name:
Title: