Photronics Reports Fourth Quarter Results

Fourth Quarter Highlights:

- **Sales of $94.7 million *(guidance: $92 - $97 million)***
- **Pro forma loss per share <$0.07> *(guidance: <$0.15> - <$0.09>)***
- **High-end IC sales increased 32% sequentially**
- **Balance Sheet recapitalized**
- **Total debt reduced by $65 million sequentially**
- **Working Capital increased to $90 million**

BROOKFIELD, Conn.--(BUSINESS WIRE)--Photronics, Inc. (Nasdaq:PLAB - News), a worldwide leader in supplying innovative imaging technology solutions for the global electronics industry, today reported fiscal 2009 fourth quarter results for the period ended November 1, 2009.

Sales for the fourth quarter were $94.7 million, down 8.3% compared to $103.3 million for the fourth quarter of fiscal year 2008. Sales of semiconductor photomasks accounted for $73.8 million, or 77.9% of revenues during the fourth quarter of fiscal 2009, and sales of flat panel display (FPD) photomasks accounted for $20.9 million, or 22.1% of revenues. GAAP net income for the fourth quarter of fiscal 2009 was $1.2 million, or $0.11 loss per diluted share. The diluted loss per share reflects the assumed conversion of warrants to acquire 1.4 million shares originally issued in connection with the Company's May 2009 credit facility amendment as well as the associated assumed reversal of $6.5 million in mark-to-market gains which were recorded in other income. This compares to net income of $0.2 million, or $0.01 earnings per diluted share, for the fourth quarter of fiscal 2008.

Sales for the 2009 fiscal year were $361.4 million, down 14.5% from $422.5 million for fiscal 2008. Sales of semiconductor photomasks accounted for $272.9 million, or 75.5% of revenues during the 2009 fiscal year, and sales of FPD photomasks accounted for $88.5 million, or 24.5% of revenues. GAAP net loss for the 2009 fiscal year amounted to $41.9 million, or $0.97 loss per diluted share, as compared to 2008 fiscal net loss of $210.8 million, or $5.06 loss per diluted share.

Pro forma net loss for the fourth quarter of fiscal year 2009 was $3.2 million, or $0.07 loss per diluted share, as compared to pro forma net income of $0.6 million or $0.01 earnings per diluted share for the fourth quarter of fiscal year 2008. Pro forma net loss for the 2009 fiscal year was $26.2 million, or $0.63 loss per diluted share, as compared to pro forma net loss for the 2008 fiscal year of $11.2 million or $0.27 loss per diluted share. The section below entitled "*Non-GAAP Financial Measures*" provides a definition and information about the use of pro forma financial measures in this press release and the attached financial supplement reconciles pro forma financial information with Photronics, Inc.' financial results under GAAP.

Constantine ("Deno") Macricostas, Photronics' chairman and chief executive officer commented, "During the fourth quarter we successfully recapitalized our balance sheet and paid down $65 million in debt. We also benefited from continued traction at the nanoFab where we gained additional market share with new qualified and volume production customers, while sequentially improving its operating cash flow. For the year Photronics significantly reduced fixed operating costs and realigned its global manufacturing network to better match customer demand. We enter 2010 in a solid position to capitalize on market improvement," concluded Macricostas.

Non-GAAP Financial Measures

Pro forma net income (loss) and pro forma earnings (loss) per share are "non-GAAP financial measures," as such term is defined by the Securities and Exchange Commission, and may differ from non-GAAP financial measures used by other companies. Photronics, Inc. believes that pro forma net income (loss) and pro forma earnings (loss) per share that exclude certain non-cash or non-recurring income or expense items are useful for analysts and investors to evaluate Photronics, Inc.' future on-going performance because they enable a more meaningful comparison of Photronics, Inc.' projected earnings and performance with its historical results from prior periods. These pro forma metrics, in particular pro forma net income (loss) and pro forma earnings (loss) per share, are not intended to represent funds available for Photronics, Inc.' discretionary use and are not intended to represent or be used as a substitute for operating income (loss), net income (loss) or cash flows from operations data as measured under GAAP. The items excluded from these pro forma metrics, but included in the calculation of their closest GAAP equivalent, are significant components of consolidated statements of operations and must be considered in performing a comprehensive assessment of overall financial performance. Pro forma financial information is adjusted for the following items:

- Consolidation and restructuring charges are excluded because they are not a part of ongoing operations
- Gain on sale of building is excluded because it is not a part of ongoing operations
- Deferred financing fees write-off net of interest savings is excluded because it is not a part of ongoing operations and was not anticipated when establishing forecast guidance for Q4-2009
- Impact of warrant mark-to-market gains (losses) are excluded because it does not affect cash earnings
- Primarily goodwill and long-lived asset impairment charges are excluded because they do not affect cash earnings and are not a part of ongoing operations

The presentation of this financial information should not be considered in isolation or as a substitute for the financial information prepared and presented in accordance with generally accepted accounting principles in the United States. The attached financial supplement reconciles pro forma financial information with Photronics, Inc.' financial results under GAAP.

A conference call with investors and the media to discuss these results is scheduled for 8:30 a.m. Eastern time on Wednesday, December 9, 2009. The live dial-in number is 913-312-0713. The call can also be accessed by logging onto Photronics' web site at www.photronics.com.

Photronics is a leading worldwide manufacturer of photomasks. Photomasks are high precision quartz plates that contain microscopic images of electronic circuits. A key element in the manufacture of semiconductors and flat panel displays, photomasks are used to transfer circuit patterns onto semiconductor wafers and flat panel substrates during the fabrication of integrated circuits, a variety of flat panel displays and, to a lesser extent, other types of electrical and optical components. They are produced in accordance with product designs provided by customers at strategically located manufacturing facilities in Asia, Europe, and North America. Additional information on the Company can be accessed at www.photronics.com.

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PHOTRONICS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

(in thousands, except per share amounts)

	Three Months Ended		Year Ended	
	November 1, 2009	November 2, 2008	November 1, 2009	November 2, 2008
Net sales	$ 94,677	$ 103,306	$ 361,353	$ 422,548
Costs and expenses:				
Cost of sales	(77,660)	(85,354)	(304,282)	(349,841)
Selling, general and administrative	(10,166)	(11,547)	(41,162)	(55,167)
Research and development	(3,768)	(4,327)	(15,423)	(17,475)
Consolidation, restructuring and related charges	(811)	(510)	(13,557)	(510)
Impairment of goodwill and long-lived assets	-	-	(1,458)	(205,408)
Gain on sale of facility	2,034	-	2,034	-
Operating income (loss)	4,306	1,568	(12,495)	(205,853)
Other income (expense), net	(1,765)	24	(24,609)	(6,316)
Income (loss) before income taxes and minority interest	2,541	1,592	(37,104)	(212,169)
Income tax (provision) benefit	(1,398)	(1,438)	(4,323)	2,778
Income (loss) before minority interest	1,143	154	(41,427)	(209,391)
Minority interest	98	81	(483)	(1,374)
Net income (loss)	$ 1,241	$ 235	$ (41,910)	$ (210,765)
Earnings (loss) per share:				
Basic	$ 0.03	$ 0.01	$ (0.97)	$ (5.06)
Diluted	$ (0.11)	$ 0.01	$ (0.97)	$ (5.06)
Weighted average number of common shares outstanding:				
Basic	47,522	41,703	43,210	41,658
Diluted	48,907	41,996	43,210	41,658

PHOTRONICS, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(in thousands)

	November 1, 2009	November 2, 2008
Assets		
Current assets:		
Cash, cash equivalents and short-term investments of $148 in 2009 and $1,343 in 2008	$ 88,687	$ 85,106
Accounts receivable	66,920	68,095
Inventories	14,826	17,548
Other current assets	9,564	11,748
Total current assets	179,997	182,497
Property, plant and equipment, net	347,889	436,528
Investment in joint venture	60,945	65,737
Other intangibles, net	55,054	62,386
Other assets	19,771	10,859
	$ 663,656	$ 758,007
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of long-term borrowings	$ 10,301	$ 20,630
Accounts payable and accrued liabilities	80,154	95,448
Total current liabilities	90,455	116,078
Long-term borrowings	112,137	202,979
Deferred income taxes and other liabilities	11,368	6,552
Minority interest	49,941	49,616
Shareholders' equity	399,755	382,782
	$ 663,656	$ 758,007

PHOTRONICS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(in thousands)

	Year Ended November 1, 2009	Year Ended November 2, 2008
Cash flows from operating activities:		
Net loss	$ (41,910)	$ (210,765)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	90,474	103,932
Gain on sale of facility	(2,034)	-
Minority interest in income of consolidated subsidiaries	483	1,374
Consolidation, restructuring and related charges - non-cash	10,514	510
Impairment of goodwill and long-lived assets	1,458	205,408
Changes in assets and liabilities and other	9,163	(8,379)
Net cash provided by operating activities	68,148	92,080
Cash flows from investing activities:		
Purchases of property, plant and equipment	(34,995)	(105,125)
Distribution from joint venture	5,000	5,000
Proceeds from sale of facility	4,321	-
Proceeds from sales of investments	1,252	3,815
Investment in joint venture	-	(2,598)
Other	(256)	(327)
Net cash used in investing activities	(24,678)	(99,235)
Cash flows from financing activities:		
Repayments of long-term borrowings	(161,841)	(183,509)
Proceeds from long-term borrowings	28,112	139,640
Net proceeds from convertible debt and common stock offerings	97,961	-
Deferred financing costs and other	(4,734)	(3,790)
Net cash used in financing activities	(40,502)	(47,659)
Effect of exchange rate changes on cash	1,808	(7,472)
Net increase (decrease) in cash and cash equivalents	4,776	(62,286)
Cash and cash equivalents, beginning of period	83,763	146,049
Cash and cash equivalents, end of period	$ 88,539	$ 83,763
Supplemental disclosure of cash flow information:		
Change in accrual for purchases of property, plant and equipment	$ (13,551)	$ (46,769)
Capital lease obligation for purchases of property, plant and equipment	$ (28,244)	$ 61,662
Issuances of common stock warrants	$ 5,320	$ -

PHOTRONICS, INC. AND SUBSIDIARIES

Reconciliation of GAAP to Pro Forma Financial Information

(in thousands, except per share data)
(Unaudited)

	Three Months Ended		Year Ended	
	November 1, 2009	November 2, 2008	November 1, 2009	November 2, 2008
Reconciliation of GAAP to Pro Forma Net Loss				
GAAP net income (loss)	$ 1,241	$ 235	$ (41,910)	$ (210,765)
(a) Consolidation and restructuring charges, net of tax	626	367	12,913	367
(b) Gain on sale of building, net of tax	(1,474)	-	(1,474)	-
(c) Deferred financing fees net of interest savings, net of tax	2,942	-	2,942	-
(d) Warrant mark-to-market (gains)/charges, net of tax	(6,544)	-	304	-
(e) Primarily goodwill and long-lived assets impairment, net of tax	-	-	1,050	199,177
Pro forma net income (loss)	$ (3,209)	$ 602	$ (26,175)	$ (11,221)

	Three Months Ended		Year Ended	
	November 1, 2009	November 2, 2008	November 1, 2009	November 2, 2008
Reconciliation of GAAP Pro Forma Net Income/Loss Applicable to Common Shareholders				
GAAP weighted average number of diluted shares outstanding	48,907	41,996	43,210	41,658
(f) Adjustment to exclude equivalent shares issued September 16, 2009	(5,603)	-	(1,401)	-
Pro forma weighted average number of diluted shares outstanding	43,304	41,996	41,809	41,658
Net income (loss) per diluted share				
GAAP	$ (0.11)	$ 0.01	$ (0.97)	$ (5.06)
Pro forma	$ (0.07)	$ 0.01	$ (0.63)	$ (0.27)

(a) Includes charges related to announced restructurings in China and United Kingdom.

(b) Represents net gain recognized on sale of Manchester, United Kingdom facility.

(c) Represents write-off of deferred financing fees of $3.7 million recorded in interest expense as a result of reduced debt offset by $0.8 million of reduced interest expense resulting from the $98 million debt repayment with the proceeds of the common stock and senior unsecured debt issuance.

(d) Represents market value impact of outstanding warrants and the clawback of 1.2 million warrants ($6.0 million) both of which are recorded in other income.

(e) Represents goodwill and long-lived assets impairment charge, net of tax

(f) Adjustment to reflect the excluded impact on weighted average shares outstanding during quarter and year of the equivalent shares issued on September 16, 2009.

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