

PHOTRONICS INC

FORM 10-K405

(Annual Report (Regulation S-K, item 405))

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Industry	Semiconductors
Sector	Technology
Fiscal Year	10/31

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended...October 31, 2000...

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...
(State or other jurisdiction of
incorporation of organization)

...06-0854886...
(IRS Employer
Identification No.)

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

...33477...
(Zip Code)

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

SECURITIES REGISTERED PURSUANT TO SECTION 12 (b) OF THE ACT:

Title of each class	Name of each exchange on which registered
None	

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

...Common Stock, \$0.01 par value per share...
(Title of Class)

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 No

Indicate by check mark if disclosure of delinquent filers pursuant to

Item 405 of Regulation S-K is not contained herein, and will not be contained to the best of registrant's knowledge in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to this Form 10-K.

As of December 31, 2000, 29,711,401 shares of the registrant's Common Stock were outstanding. The aggregate market value of registrant's voting stock held by non-affiliates of the registrant as of December 31, 2000 was approximately \$618,489,233.

DOCUMENTS INCORPORATED BY REFERENCE

Proxy Statement for the 2001
Annual Meeting of Shareholders
to be held on March 21, 2001.

Incorporated into Part
III of this Form 10-K.

PART I

ITEM 1. BUSINESS

General

Photronics, Inc. and its subsidiaries (the "Company" or "Photronics") is a leading manufacturer 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 are used as masters to transfer circuit patterns onto semiconductor wafers during the fabrication of integrated circuits and, to a lesser extent, other types of electrical components. The Company operates principally from 13 facilities, seven of which are located in the United States, four in Europe, one in Singapore and one in Taiwan. The Company also provides mask-related technology consulting and data processing services through its D2W division. See "Related Sales and Services."

During fiscal 2000, the Company continued to invest in its global manufacturing network and enhance its technological and manufacturing capabilities. In addition, the Company increased its research and development activities and continued to invest in advanced manufacturing equipment to allow it to meet future technological and volume demands. The Company believes that its efforts have established it as one of the world's leading independent photomask manufacturers.

The Company is a Connecticut corporation, organized in 1969. Its principal executive offices are located at 1061 East Indiantown Road, Jupiter, Florida, telephone (561) 745-1222.

Fiscal 2000 Developments

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 consolidation 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.

The significant components of the consolidation plan included the closing of the Company's Sunnyvale, California and Neuchatel, Switzerland manufacturing facilities and the consolidation and regionalization of sales and customer service functions. The Company anticipates that the facilities closings will maximize capacity utilization at its remaining mature product's facilities. As part of the plan, the Company reduced its workforce by approximately 125 employees. The restructuring charge of \$9.1 million includes \$1.5 million of cash charges for severance benefits paid to terminated employees which were disbursed over their entitlement periods and \$2.3 million for facilities closings and lease termination costs which were expended through December 2000. Additionally, non-cash charges of \$5.3 million approximated the carrying value primarily of fixed assets associated with the manufacturing consolidation based upon their expected disposition. Such assets, consisting principally of

specialized manufacturing tools and equipment, were subsequently taken out of service.

The charges also included \$8.4 million related to the impairment in value of associated intangible assets. It was determined during the period that such assets no longer had future economic benefit to the Company because the anticipated undiscounted cumulative cash flows from these assets were insufficient to support their carrying value.

On June 1, 2000, the Company sold one million of its unregistered common shares in a private placement to accredited institutional investors. The proceeds of the sale, net of fees and expenses, amounted to \$22 million.

On June 7, 2000, Photronics completed its merger with Align-Rite International, Inc. ("Align-Rite"). Under the terms of the merger agreement, each of the 4,731,232 shares of common stock of Align-Rite issued and outstanding as of June 7, 2000 was converted into .85 shares of common stock of Photronics. Cash was paid in lieu of the issuance of any fractional shares of Photronics that would otherwise have been issued. Any stock options to acquire Align-Rite common stock that had not been exercised as of June 7, 2000 became fully vested options to acquire Photronics common stock in accordance with the merger agreement. The merger constituted a tax-free reorganization and has been accounted for as a pooling-of-interests. Accordingly, the consolidated financial statements for each of the three years ended October 31, 2000, October 31, 1999 and November 1, 1998 and the accompanying notes thereto reflect the Company's financial position, results of operations and cash flows as if Align-Rite had been a wholly-owned subsidiary of Photronics for all periods presented.

Effective June 20, 2000, the Company acquired a majority share of the total share capital 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.

In October 2000, the Company relocated the photomask manufacturing operations previously conducted in Mesa, Arizona at facilities leased from Motorola, Inc. ("Motorola") to Phoenix, Arizona. This operation resulted from the Company's December 1997 acquisition of Motorola's internal photomask manufacturing operations.

Manufacturing Technology

The Company manufactures photomasks, which are used as masters to transfer circuit patterns onto semiconductor wafers. The Company's photomasks are manufactured in accordance with circuit designs provided on a confidential basis by its customers. The typical manufacturing process for one of the Company's photomasks involves receipt and conversion of circuit design data to manufacturing pattern data. A lithography system then exposes the circuit pattern onto the photomask blank. The exposed areas are dissolved and etched to produce that pattern on the photomask. The photomask is inspected for defects and conformity to the customer design data, any defects are repaired, any required pellicles (or protective membranes) are applied and, after final cleaning, the photomask is shipped to the customer.

The Company currently supports customers across the full spectrum of integrated circuit production technologies by manufacturing photomasks using electron beam or laser-based technologies and, to a significantly lesser degree, optical-based technologies. Laser-based and electron beam systems are the predominant technologies used for photomask manufacturing. These technologies are capable of producing the finer line resolution, lighter overlay and larger die size for the larger and more complex circuits currently being designed. Laser and electron beam generated photomasks can be used with the most advanced processing techniques to produce VLSI (very large-scale integrated circuit) devices. The Company currently owns a number of laser and electron beam systems and has committed to purchase additional advanced systems in order to maintain technological leadership. Compared to laser or electron beam generated photomasks, the production of photomasks by the optical method is less expensive and precise. The optical method traditionally is used on less complex and lower priced photomasks.

The first several layers of photomasks sometimes are required to be delivered by the Company within 24 hours from the time it receives a customer's design. The ability to manufacture high quality photomasks within short time periods is dependent upon efficient manufacturing methods, high yield and high equipment reliability. The Company believes that it meets these requirements by making significant investments in manufacturing and data processing systems and statistical process control methods to optimize the manufacturing process and reduce cycle times.

Quality control is an integral part of the photomask manufacturing process. Photomasks are manufactured in temperature, humidity and particulate controlled clean rooms because of the high level of precision, quality and yields required. Each photomask is inspected several times during the manufacturing process to ensure compliance with customer specifications. The Company has made a substantial investment in equipment to inspect and repair photomasks and to ensure that customer specifications are met. After inspection and any necessary repair, the Company utilizes technological processes to clean the photomasks prior to shipment.

Sales and Marketing

The market for photomasks primarily consists of domestic and foreign semiconductor manufacturers and designers including manufacturers that have the capability to manufacture photomasks. Generally, the Company and each of its customers engage in a qualification and correlation process before the Company becomes an approved supplier. Thereafter, the Company typically negotiates pricing parameters for a customer's orders based on the customer's specifications to expedite the placement of individual purchase orders. Some prices may remain in effect for an extended period. The Company enters into purchase arrangements, based on the understanding that, as long as the Company's performance is competitive, the Company will receive a specified percentage of that customer's photomask requirements.

The Company conducts its sales and marketing activities primarily through a staff of full-time sales personnel and customer service representatives who work closely with the Company's management and technical personnel. In addition to

the sales personnel at the Company's manufacturing facilities, the Company has sales offices throughout the United States, Europe and Asia.

The Company supports international customers through both its domestic and foreign facilities. The Company considers its presence in international markets important to attracting new customers, providing global solutions to its existing customers and serving customers that utilize manufacturing foundries outside of the United States, principally in Asia. For a statement of the amount of net sales, operating income or loss, and identifiable assets attributable to each of the Company's geographic areas of operations, see Note 13 of Notes to the Consolidated Financial Statements.

Related Sales and Services

The Company's D2W division, located in Fremont, California offers mask-related design to wafer technology consulting and data processing services to the semiconductor industry. D2W's activities represented less than 1% of the Company's net sales during fiscal 2000.

Customers

The Company primarily sells its products to leading semiconductor manufacturers. The Company's largest customers during fiscal 2000 included the following:

Atmel Corporation	Mitel
ASM Lithography	Motorola
Chartered Semiconductor	National Semiconductor
Conexant	On Semiconductor
Intersil	Philips Electronics
International Business Machines	Seagate
Linear Tech	ST Microelectronics
LSI Logic	Texas Instruments
Lucent Technologies	Triquint Semiconductor
Maxim	United Microelectronics Corp.

The Company has continually expanded its customer base and, during fiscal 2000, sold its products and services to approximately 600 customers. During fiscal 2000, no single customer accounted for more than 10% of the Company's net sales. The Company's five largest customers, in the aggregate, accounted for approximately 36% of net sales in fiscal 2000. A significant decrease in the amount of sales to any of these customers could have a material adverse effect on the financial performance and business prospects of the Company.

Research and Development

The Company conducts ongoing research and development programs intended to maintain the Company's leadership in technology and manufacturing efficiency. Since fiscal 1994, the Company has increased its investment in research and development activities and current efforts include deep ultraviolet, phase-shift and optical proximity correction photomasks for advanced semiconductor manufacturing as well as photomasks for next generation lithography ("NGL") "post-optical" manufacturing technologies. Phase-shift and optical proximity

correction photomasks use advanced lithography techniques for enhanced resolutions of images on a semiconductor wafer. NGL technologies use an exposure source other than light (such as an x-ray or electron beam source) for wafer patterning and are designed for the manufacture of integrated circuits with critical dimensions below that believed possible with currently utilized optical exposure methods. Post-optical manufacturing technologies are still under development and have not yet been adopted as standard production methods. Since July 1999, NGL research and development has been conducted in connection with the Company's research and development venture with IBM. The Company incurred expenses of \$20.7 million, \$16.6 million and \$13.4 million for research and development in fiscal 2000, 1999 and 1998, respectively. The Company believes that it owns or controls valuable proprietary information necessary for its business as presently conducted. Recently, the Company has either applied for or been granted several patents pertaining to its business segment. The Company believes that its intellectual property is and will continue to be important to the Company's technical leadership in the field of photomasks.

Materials and Supplies

Raw materials utilized by the Company generally include high precision quartz plates, which are used as photomask blanks, primarily obtained from Japanese suppliers (including Toppan Printing Co., Ltd. ["Toppan"], Hoya Corporation ["Hoya"] and Ulcoat Corporation ["Ulcoat"]), pellicles (which are protective transparent cellulose membranes) and electronic grade chemicals used in the manufacturing process. Such materials are generally available from a number of suppliers and the Company is not dependent on any one supplier for its raw materials. The Company believes that its utilization of a broad range of suppliers enables it to access the most advanced material technology available. The Company has established purchasing arrangements with each of Toppan, Hoya and Ulcoat and it is expected that the Company will purchase substantially all of its photomask blanks from Toppan, Hoya and Ulcoat as long as their price, quality, delivery and service are competitive.

The Company relies on a limited number of equipment suppliers to develop and supply the equipment used in the photomask manufacturing process. Although the Company has been able to obtain equipment on a timely basis, the inability to obtain equipment when required could adversely affect the Company's business and results of operations. The Company also relies on these suppliers to develop future generations of manufacturing systems to support the Company's requirements.

Backlog

The first several levels of photomasks for a circuit sometimes are required to be shipped within 24 hours of receiving a customer's design. Because of the short period between order and shipment dates (typically from one day to two weeks) for a significant amount of the Company's sales, the dollar amount of current backlog is not considered to be a reliable indication of future sales volume.

Competition

The photomask industry is highly competitive and most of the Company's customers utilize more than one photomask supplier. The Company's ability to compete depends primarily upon the consistency of product quality and timeliness of delivery, as well as pricing, technical capability and service. The Company also believes that proximity to customers is an important factor in certain markets. Certain competitors have considerably greater financial and other resources than the Company. The Company believes that it is able to compete effectively because of its dedication to customer service, its investment in state-of-the-art photomask equipment and facilities and its experienced technical employees.

Since the mid-1980s there has been a decrease in the number of independent manufacturers as a result of independents being acquired or discontinuing operations. The Company believes that entry into the market by a new independent manufacturer would require a major investment of capital, a significant period of time to establish a commercially viable operation and additional time to attain meaningful market share and achieve profitability.

Based upon available market information, the Company believes that it has a larger share of the United States market than any other photomask manufacturer and that it is one of the largest photomask manufacturers in the world. Competitors in the United States include DuPont Photomasks, Inc., and in international markets, Dai Nippon Printing, Toppan, Hoya, DuPont, Taiwan Mask Corp., PKL Corporation and Compugraphics. In addition, some of the Company's customers possess their own captive facilities for manufacturing photomasks and certain semiconductor manufacturers market their photomask manufacturing services to outside customers as well as to their internal organization.

Employees

As of October 31, 2000, the Company employed approximately 1,650 persons on a full-time basis. The Company believes that it offers competitive compensation and other benefits and that its employee relations are good. Except for employees in the United Kingdom, none of the Company's employees are represented by a union.

ITEM 1A. EXECUTIVE OFFICERS OF REGISTRANT

The names of the executive officers of the Company are set forth below, together with the positions held by each person in the Company. All executive officers are elected annually by the Board of Directors and serve until their successors are duly elected and qualified.

NAME AND AGE -----	POSITION -----	SERVED AS AN OFFICER SINCE -----
Constantine S. Macricostas, 65	Chairman of the Board, Chief Executive Officer and Director	1974

Michael J. Yomazzo, 58	Vice Chairman and Director	1977
James L. Mac Donald, 54	President and Director	2000
Robert J. Bollo, 56	Senior Vice President and Chief Financial Officer	1994
James A. Eder, 55	Vice President, Secretary and General Counsel	2001

For the past five years each of the executive officers of the Company held the office shown, except as follows:

Constantine S. Macricostas was elected to his current position in July 2000. From August 1997 to June 2000, he was the Chairman of the Board. Prior to that date he was the Chief Executive Officer of the Company.

Michael J. Yomazzo has been Vice Chairman since January 1, 1999. From August 1997 until January 1999, he served as President and Chief Executive Officer and from January 1994 until August 1997 he served as President and Chief Operating Officer.

James L. Mac Donald has been President since July 2000. Prior to the merger of the Company and Align-Rite International, Inc. in June 2000, he was the Chairman and Chief Executive Officer of Align-Rite, a company which he founded in 1970.

Robert J. Bollo was elected Senior Vice President and Chief Financial Officer in July 2000. Prior to that date he was the Vice President and Chief Financial Officer.

James A. Eder has been Vice President, Secretary and General Counsel since January 2001. Prior to that date, he was Vice President, Secretary, and General Counsel of Kollmorgen Corporation for approximately ten years.

ITEM 2. DESCRIPTION OF PROPERTY

The Company's properties include buildings in which the Company currently conducts manufacturing operations or land for future construction of facilities. The following table presents certain information about the Company's manufacturing facilities.

LOCATION -----	FACILITY SIZE (SQ. FT.) -----	TYPE OF INTEREST -----
Allen, TX	60,000	Owned
Austin, TX	50,000	Owned
Brookfield, CT (Building #1)	19,600	Owned
Brookfield, CT (Building #2)	20,000	Leased
Burbank, CA	32,000	Leased
Milpitas, CA (2 buildings)	49,000	Leased
Palm Bay, FL	33,675	Leased
Phoenix, AZ	30,000	Leased
Manchester, England	42,000	Owned
Bridgend, South Wales	27,115	Leased
Dresden, Germany	10,000	Leased
Heilbronn, Germany	12,120	Leased
Singapore	20,000	Leased
Hsin-chu, Taiwan	73,000	Leased

Lease terms range from five years with options to renew up to twenty years for other facilities. In addition, the Company leases office space in several domestic and foreign locations. The Company believes that its existing manufacturing facilities are adequate for its business as presently conducted. The Company evaluates, from time to time, opportunities for further plant expansion at existing sites. The Company believes that it substantially utilized its manufacturing facilities during fiscal 2000.

The leased properties in Brookfield, Connecticut, are leased from entities controlled by Constantine S. Macricostas under fixed lease rates which were determined by reference to fair market value rates at the beginning of the respective lease term. Mr. Macricostas is Chairman of the Board, Chief Executive Officer and a Director of the Company.

ITEM 3. LEGAL PROCEEDINGS

The Company is subject to various claims which arise in the ordinary course of business. The Company believes such claims, individually or in the aggregate, will not have a material adverse affect on the business of the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the Company's security holders during the fourth quarter of fiscal 2000.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDERS' MATTERS

The Common Stock of the Company is traded on the NASDAQ National Market System (NMS) under the symbol PLAB. The table below shows the range of high and low sale prices per share for each quarter for fiscal year 2000 and 1999, as reported on the NASDAQ NMS.

	High	Low
	-----	-----
Fiscal Year Ended October 31, 2000:		
Quarter Ended January 30, 2000	\$36.13	\$18.13
Quarter Ended April 30, 2000	46.50	23.94
Quarter Ended July 31, 2000	33.69	19.25
Quarter Ended October 31, 2000	30.00	15.38
Fiscal Year Ended October 31, 1999:		
Quarter Ended January 31, 1999	\$28.13	\$18.00
Quarter Ended May 2, 1999	26.25	18.63
Quarter Ended August 1, 1999	28.88	19.13
Quarter Ended October 31, 1999	29.50	17.88

On December 29, 2000, the closing sale price for the Common Stock as reported by NASDAQ was \$23.44. Based on information available to the Company, the Company believes it has approximately 9,000 beneficial shareholders.

The Company has not paid any cash dividends to date and, for the foreseeable future, anticipates that earnings will continue to be retained for use in its business.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data, which has been adjusted as if Align-Rite was a consolidated, wholly owned subsidiary of the Company for all periods presented, is derived from the Company's consolidated financial statements. The data should be read in conjunction with the consolidated financial statements and notes thereto and other financial information included elsewhere in this Form 10-K. All share and per share amounts have been adjusted for a two-for-one stock split for shareholders of record on November 17, 1997.

Years Ended

 October 31, 2000 October 31, 1999 November 1, 1998 November 2, 1997 October 31, 1996

(in thousands, except per share amounts)

OPERATING DATA:

Net sales	\$ 331,212	\$ 277,395	\$ 269,293	\$ 235,452	\$ 193,361
Costs and expenses:					
Cost of sales	220,650	193,467	170,864	145,032	118,758
Selling, general and administrative	46,059	40,119	36,235	31,012	26,650
Research and development	20,731	16,611	13,402	10,938	8,658
Restructuring, merger and related charges	23,000	--	3,800	--	--
Operating income	20,772	27,198	44,992	48,470	39,295
Other income (expense):					
Interest expense	(11,091)	(7,731)	(6,703)	(2,706)	(273)
Interest and other income, net	5,783	3,335	4,581	4,053	2,236
Income before income taxes and minority interest	15,464	22,802	42,870	49,817	41,258
Provision for income taxes	4,700	8,354	16,288	18,856	15,119
Minority interest	(588)	--	--	--	(172)
Net income	\$ 10,176	\$ 14,448	\$ 26,582	\$ 30,961	\$ 25,967
Earnings per share:					
Basic	\$ 0.35	\$ 0.52	\$ 0.95	\$ 1.12	\$ 0.98
Diluted	\$ 0.34	\$ 0.51	\$ 0.92	\$ 1.07	\$ 0.93
Weighted average number of common shares outstanding					
Basic	28,761	27,800	28,123	27,638	26,380
Diluted	29,831	28,105	33,093	30,707	27,981

 October 31, 2000 October 31, 1999 November 1, 1998 November 2, 1997 October 31, 1996

BALANCE SHEET DATA:

Working capital	\$ 87,024	\$ 33,484	\$ 43,506	\$ 92,125	\$ 38,867
Property, plant and equipment	395,281	348,144	282,964	225,902	132,183
Total assets	609,561	502,309	421,702	403,993	242,325
Long-term debt	202,797	148,281	104,261	106,194	1,987
Shareholders' equity	293,980	254,130	238,196	217,348	181,702

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations for the Years Ended October 31, 2000, October 31, 1999 and November 1, 1998

OVERVIEW

On June 7, 2000, 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. Under the terms of the Merger Agreement, each of the 4,731,232 shares of common stock of Align-Rite issued and outstanding as of June 7, 2000 was converted into .85 shares of common stock of Photronics. Cash was paid in lieu of the issuance of any fractional shares of Photronics that would otherwise have been issued. Any stock options to acquire Align-Rite common stock that had not been exercised as of June 7, 2000 became fully vested options to acquire Photronics common stock in accordance with the Merger Agreement. The Company recorded expenses of \$5.5 million in fiscal 2000 relating to costs incurred in connection with this transaction. Such costs consisted primarily of fees for investment bankers, attorneys, accountants, financial printing and other related charges. The transaction was accounted for as a pooling-of-interests. Accordingly, the consolidated financial statements, the accompanying notes and this management discussion and analysis have been restated to reflect the Company's financial position, 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 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 Consolidated Statement of Earnings from June 20, 2000. These facilities, together with the Company's U.S. facilities, comprise a global manufacturing network supporting semiconductor fabricators in the Asian, European and North American markets. As a result of the Company's globalization, revenues from foreign operations have grown to approximately 28% in 2000 compared to 22% in 1999 and 21% in 1998.

In fiscal year 1999, the Company acquired Harris Corporation's Imaging Technology Group (ITG) semiconductor business unit, a photomask manufacturer located in Florida. In fiscal year 1998, the Company acquired the internal photomask manufacturing operations of Motorola, Inc. in Mesa, Arizona, and commenced operations in its newly constructed Austin, Texas facility.

The Company's growth in recent years has also been affected by the rapid technological changes taking place in the semiconductor industry resulting in a greater mix of high-end photomask requirements for more complex integrated circuit designs. However, a cyclical slow-down experienced by the semiconductor industry began impacting the release of new integrated circuit designs to photomask manufacturers in the middle of fiscal 1998. As a result, the Company experienced weakness in photomask demand and accentuated competitive pressures, especially for more mature technologies, during the second half of fiscal 1998. In 1999 and early 2000, the Company continued to see a weakness in selling prices

for more mature technologies, but experienced an increase in unit volumes and a better mix of orders for high-end technology products. The Company cannot predict the duration of such cyclical industry conditions or their impact on its future operating results.

Both revenues and costs have been affected by the increased demand for high-end technology photomasks that require more advanced manufacturing capabilities but generally command higher average selling prices. To meet the technological demands of its customers and position the Company for future growth, the Company continues to make substantial investments in high-end manufacturing capability both at existing and new facilities. The Company's capital expenditures for new facilities and equipment to support its customers' requirements for high technology products exceeded \$205 million for the three years ended October 31, 2000, resulting in significant increases in operating expenses. Based on the anticipated technological changes in the industry, the Company expects these trends to continue.

RESULTS OF OPERATIONS

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

	Years Ended		
	October 31, 2000	October 31, 1999	November 1, 1998
Net sales	100.0%	100.0%	100.0%
Cost of sales	66.6	69.7	63.4
Gross margin	33.4	30.3	36.6
Selling, general and administrative expenses	13.9	14.5	13.5
Research and development expenses	6.3	6.0	5.0
Operating income before restructuring, merger and related charges	13.2%	9.8%	18.1%

NET SALES

Net sales for the fiscal year ended October 31, 2000 increased 19.4% to \$331.2 million, compared to \$277.4 million in 1999. By geographic area, North American sales increased by \$23.7 million or 11%, Asian sales increased by \$19.3 million or 153% and European sales increased \$10.8 million or 22%. Factors contributing to the increased sales during 2000 include an improved sales mix of high-end technology products, which have higher average selling prices, increased unit volume associated with increased design releases and continued global expansion of the Company's manufacturing network. During the first half of 1999 the Company continued to experience a downturn in the global semiconductor industry that resulted in a slow-down in new design releases and price reductions for mature products. The Company continues to benefit from its investment

in high-end manufacturing capability through a mix shift towards high-end products.

Net sales for the fiscal year ended October 31, 1999 increased 3.0% to \$277.4 million, compared to \$269.3 million in 1998. The increase was due to an increase in sales from Photronics' European operations, partially offset by a decrease in sales domestically and in Asia. European sales increased as a result of higher unit volume. Sales in Asia decreased primarily as a result of certain orders for Asian customers being manufactured in the United States. The domestic decrease was primarily attributable to a decrease in average selling prices on mature technologies, offset by higher unit volumes and a better mix of high-end products.

GROSS MARGIN

Gross margin for the year ended October 31, 2000 increased to 33.4% from 30.3% for the year ended October 31, 1999. The increase in 2000 was attributable to improved absorption of fixed costs from higher sales, a greater mix of high-end technology products, increased capacity utilization associated with improved unit volumes, and efficiencies realized from the Company's recent restructuring. The increase was partially mitigated by lower gross margins at the Company's newly acquired PSMC subsidiary in Taiwan.

Gross margins for the year ended October 31, 1999 decreased to 30.3% compared to 36.6% in 1998 principally because of higher depreciation and other fixed costs incurred in anticipation of the industry's rapid move to higher-end technologies. Depreciation and amortization of property, plant and equipment increased 25.9% in 1999 to \$45.0 million from \$35.7 million in 1998. In addition, the Company experienced competitive pricing pressures, higher equipment maintenance, materials and labor costs in fiscal 1999.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses increased 14.8% during 2000 to \$46.1 million, or 13.9% of sales, from \$40.1 million, or 14.5% of sales in 1999. The higher expenses were due principally to increased staffing and other support costs associated with the Company's continued global expansion, including the costs incurred at PSMC in Taiwan and growth of the Company's information technology infrastructure.

Selling, general and administrative expenses increased 10.7% during 1999 to \$40.1 million, or 14.5% of sales, from \$36.2 million, or 13.5% of sales in 1998. The increase was primarily due to growth related expenses including information systems and communications costs which were expended to ensure an infrastructure commensurate with Photronics' expansion. Other growth-related costs, including compensation and travel, also increased in 1999.

RESEARCH AND DEVELOPMENT

Research and development expenses for the year ended October 31, 2000, increased 24.8% to \$20.7 million, or 6.3% of sales, from \$16.6 million, or 6.0% of sales in 1999. This increase reflects the continuing development of the Company's proprietary process technologies such as Nano Range II and Ultra Res, and its advanced, more complex photomasks such as phase shift, optical proximity correction and Next Generation Lithography (NGL) applications.

Research and development expenses for the year ended October 31, 1999, increased by 23.9% to \$16.6 million, or 6.0% of sales, from \$13.4 million or 5.0% of sales in 1998. The increase reflects continued work on advanced photomasks utilizing optical enhancement features, as well as expenses incurred in connection with our Next Generation Lithography Mask Center of Competency, a joint effort with IBM which was established in July 1999.

RESTRUCTURING, MERGER AND RELATED CHARGES

In the third quarter of fiscal 2000, the Company recorded a pre-tax charge of approximately \$5.5 million for transaction costs incurred in connection with the Align-Rite merger. Such costs consisted primarily of investment banking, legal, accounting, financial printing and other related charges.

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 consolidation 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.

The significant components of the consolidation plan included the closing of the Company's Sunnyvale, California and Neuchatel, Switzerland manufacturing facilities and the consolidation and regionalization of sales and customer service functions. The Company anticipates that the closing of the Sunnyvale and Neuchatel facilities will maximize capacity utilization at its remaining mature products facilities. As part of the plan, the Company reduced its work force by approximately 125 employees. The restructuring charge of \$9.1 million includes \$1.5 million of cash charges for severance benefits paid to terminated employees which was disbursed over their entitlement periods and \$2.3 million for facilities closings and lease termination costs to be expended through the first quarter of 2001. Additionally, non-cash charges of \$5.3 million approximated the carrying value primarily of fixed assets associated with the manufacturing consolidation based upon their expected disposition. Such assets, consisting principally of specialized manufacturing tools and equipment, were subsequently taken out of service.

The charges also included \$8.4 million related to the impairment in value of associated intangible assets. It was determined during the period that such assets no longer had future economic benefit to the Company because the anticipated undiscounted cumulative cash flows from these assets were insufficient to support their carrying value.

The Company recorded a restructuring charge of \$3.8 million during fiscal 1998 in connection with the optimization of its North American operations. After tax, the charge amounted to \$2.4 million or \$0.07 per share on a diluted basis.

OTHER INCOME AND EXPENSE

Other expense, net, consists principally of interest expense, offset by investment and other income. Other expense, net increased to \$5.3 million in 2000 compared to \$4.4 million in 1999. Increased interest expense was associated with increased borrowings, principally associated with the PSMC acquisition. This increase was partially mitigated by increased gains from the sale of investments.

Net other expense increased \$2.3 million in 1999 compared to 1998, to \$4.4 million, as a result of higher interest expense, due primarily to utilization of the Company's unsecured revolving line of credit, as well as lower investment income due to a decrease in short-term investment balances throughout the year.

Foreign currency transaction gains or losses were not significant in fiscal years 2000, 1999 and 1998.

INCOME TAXES

The Company provided federal, state and foreign income taxes at a combined effective annual tax rate of 31.6% in 2000, compared to 36.6% in 1999 and 38.0% in 1998. The lower rate in 2000 was primarily due to higher income in countries where the Company has government granted tax exemptions, together with higher research and development and other tax credits.

MINORITY INTEREST IN CONSOLIDATED SUBSIDIARY

The minority interest expense of \$0.6 million in fiscal 2000 reflects the minority share of income from PSMC.

NET INCOME AND EARNINGS PER SHARE

Net income for the year ended October 31, 2000, decreased to \$10.2 million, or \$0.34 per diluted share, compared to \$14.4 million, or \$0.51 per diluted share in 1999. Fiscal year 2000 includes the effect of the restructuring, merger, and related charges amounting to \$14.8 million after tax, or \$0.52 per diluted share.

Net income for the year ended October 31, 1999 decreased 45.6% to \$14.4 million, or \$0.51 per diluted share, compared to \$26.6 million, or \$0.92 per diluted share in the prior year. Net income for the year ended November 1, 1998 decreased 14.1% to \$26.6 million, or \$0.92 per diluted share, compared with \$31.0 million or \$1.07 per diluted share in the prior year.

Fiscal 1998 included an after tax restructuring charge of \$2.4 million or \$0.07 per diluted share.

LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital at October 31, 2000 was \$87.0 million compared with \$33.5 million at October 31, 1999. The increase in working capital is due primarily to higher cash resulting from increased borrowings under the Company's unsecured revolving credit agreement coupled with higher accounts receivable associated with the increased sales in fiscal 2000 and lower accounts payable. Cash and cash equivalents at October 31, 2000 were \$38.1 million compared to \$23.1 million at October 31, 1999. Cash provided by operating activities for the year ended October 31, 2000 was \$49.6 million compared to \$65.0 million for the year ended October 31, 1999. This decrease is primarily attributable to a decrease in accounts payable and accruals of \$28.0 million from October 31, 1999, principally due to the timing of progress payments for capital equipment coming due during the period.

Cash used by investing activities of \$74.3 million consisted principally of the acquisition of PSMC and capital equipment purchases. The Company expects capital expenditures for 2001 to be approximately \$90.0 million. Capital expenditures for 2001 will be used primarily to continue to expand the Company's high-end technical capability.

Cash flows from financing activities of \$42.8 million consisted principally of \$32.4 million in proceeds from the issuance of common stock and increased net borrowings of \$10.4 million. The majority of proceeds from the issuance of common stock resulted from the sale of one million shares of common stock. The increased net borrowings primarily resulted from the PSMC acquisition.

Photronics' commitments represent investments in additional manufacturing capacity as well as advanced equipment for the production of high-end, more complex photomasks. At October 31, 2000, Photronics had commitments outstanding for capital expenditures of approximately \$50 million. Additional commitments for capital requirements are expected to be incurred during fiscal 2001. The Company expects to continue to use its working capital and bank lines of credit to finance its capital expenditures.

The Company maintains an unsecured \$125 million committed revolving credit facility available at any time through the end of fiscal year 2003. The Company's \$125 million unsecured revolving credit facility was amended as of April 28, 2000, in order to obtain the lenders' consent to the Align-Rite and PSMC acquisitions, and to modify certain covenants and definitions in connection with the restructuring. The Company is subject to compliance with and maintenance of certain financial covenants and ratios set forth in the credit facility, as amended. At October 31, 2000, the Company had \$68.7 million of outstanding borrowings under the revolving credit facility and \$56.3 million was available under the facility. The Company believes that its currently available resources, together with its capacity for substantial growth and its accessibility to other debt and equity financing sources, are sufficient to satisfy its cash requirements for the foreseeable future.

EFFECT OF NEW ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which requires that an entity recognize all derivatives as either assets or liabilities in its consolidated balance sheet at fair value. The accounting for changes in fair value of a derivative depends on the intended use of the derivative and its resulting designation. The Company is required to adopt this standard, as amended, by SFAS No. 138, in the first quarter of fiscal year 2001. The Company has evaluated the effect that these new standards will have on the Company's financial statements. The Company does not expect to record a significant transition adjustment in the first quarter of fiscal year 2001 and does not expect these standards to have a significant impact on its financial position, results of operations or cash flows in fiscal year 2001.

ITEM 7A 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 effect the Company's sales, gross margins and retained earnings. The Company attempts to minimize currency exposure risk by producing its products in the same country or region in which the products are sold and thereby generating revenues and incurring expenses in the same currency and by managing its working capital; there can be no assurance that this approach will be successful, especially in the event of a significant and sudden decline in the value of any of the international currencies of the Company's worldwide operations. At October 31, 2000 the Company had no outstanding foreign exchange contracts. 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 7% and 8% and secured notes payable which bear interest between approximately 6% and 8%. The Company does not expect changes in interest rates to have a material effect on income or cash flows in 2001, 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. In particular, any statement contained in this Annual Report on Form 10-K, 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 and conference calls, regarding the consummation and benefits of future acquisitions, expectations with respect to future sales, financial performance, operating efficiencies and 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, performances or achievements. Factors that might affect such forward looking statements include, but are not limited to, overall economic and business conditions; the demand and receipt of orders for the Company's products; competitive factors in the industries and geographic markets in which the Company competes; changes in federal, state and foreign tax requirements (including tax rate changes, new tax laws and revised tax law interpretations); the Company's ability to place new equipment in service on a timely basis; interest rate fluctuations and other capital market conditions, including foreign currency rate fluctuations; economic and political conditions in international markets; the ability to achieve anticipated synergies and other cost savings in connection with acquisitions and productivity programs; the timing, impact and other uncertainties of future acquisitions; the seasonal and cyclical nature of the semiconductor industry; the availability of capital; management changes; the ability to fully utilize its tools; the ability of the Company to receive desired yields pricing, product mix, and market acceptance of its products; and changes in technology. Any forward-looking statements should be considered in light of these factors.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareholders
Photronics, Inc.
Jupiter, Florida

We have audited the consolidated balance sheets of Photronics, Inc. and its subsidiaries as of October 31, 2000 and 1999, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the three years in the period ended October 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The consolidated financial statements give retroactive effect to the merger of Photronics, Inc. and Align-Rite International, Inc., which has been accounted for as a pooling of interests as described in Note 2 to the consolidated financial statements. We did not audit the consolidated statements of operations, shareholders' equity and cash flows of Align-Rite International, Inc. and subsidiaries for the year ended March 31, 1998, which are consolidated as described in Note 2, and reflect total revenues and net income of 17% and 23% for the year ended November 1, 1998. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to amounts included for Align-Rite International Inc. and subsidiaries for 1998, is based solely on the report of such other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Photronics, Inc. and its subsidiaries as of October 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended October 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

Hartford, Connecticut
December 6, 2000

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders Photronics, Inc.

In our opinion, the consolidated statements of operations, shareholders' equity, and cash flows of Align-Rite International, Inc. and subsidiaries (not presented herein) present fairly, in all material respects, the results of their operations and their cash flows for the year ended March 31, 1998, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above. We have not audited the consolidated financial statements of Align-Rite International, Inc. and subsidiaries for any period subsequent to March 31, 1999.

/s/ PricewaterhouseCoopers LLP

*PricewaterhouseCoopers LLP
Los Angeles, California
May 28, 1998*

PHOTRONICS, INC. AND SUBSIDIARIES

Consolidated Balance Sheet

(dollars in thousands)

Assets	October 31, 2000	October 31, 1999
-----	-----	-----
Current assets:		
Cash and cash equivalents	\$ 38,182	\$ 23,115
Accounts receivable (less allowance for doubtful accounts of \$881 in 2000 and \$692 in 1999)	64,019	50,899
Inventories	18,486	17,444
Deferred income taxes	13,195	5,458
Other current assets	4,711	6,098
	-----	-----
Total current assets	138,593	103,014
Property, plant and equipment, net	395,281	348,144
Intangible assets, net	59,277	36,875
Investments	12,797	8,594
Other assets	3,613	5,682
	-----	-----
	\$ 609,561	\$ 502,309
	=====	=====

See accompanying notes to consolidated financial statements.

PHOTRONICS, INC. AND SUBSIDIARIES

Consolidated Balance Sheet

(dollars in thousands, except per share amounts)

Liabilities and Shareholders' Equity -----	October 31, 2000 -----	October 31, 1999 -----
Current liabilities:		
Current portion of long-term debt	\$ 849	\$ 1,574
Accounts payable	37,917	51,724
Accrued salaries and wages	5,264	2,490
Accrued interest payable	2,720	2,636
Other accrued liabilities	4,819	11,106
	-----	-----
Total current liabilities	51,569	69,530
Long-term debt	202,797	148,281
Deferred income taxes	30,927	25,297
Other liabilities	3,162	5,071
	-----	-----
Total liabilities	288,455	248,179
Minority interest	27,126	--
	-----	-----
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, \$0.01 par value, 2,000,000 shares authorized, none issued and outstanding	--	--
Common stock, \$0.01 par value, 75,000,000 shares authorized, 29,668,000 shares issued and outstanding at October 31, 2000 and 27,925,000 shares issued and outstanding at October 31, 1999	297	279
Additional paid-in capital	136,445	99,544
Retained earnings	167,246	156,929
Accumulated other comprehensive loss	(9,877)	(2,571)
Deferred compensation on restricted stock	(131)	(51)
	-----	-----
Total shareholders' equity	293,980	254,130
	-----	-----
	\$ 609,561	\$ 502,309
	=====	=====

See accompanying notes to consolidated financial statements.

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

	Years Ended		
	October 31, 2000	October 31, 1999	November 1, 1998
Net sales	\$ 331,212	\$ 277,395	\$ 269,293
Costs and expenses:			
Cost of sales	220,650	193,467	170,864
Selling, general and administrative	46,059	40,119	36,235
Research and development	20,731	16,611	13,402
Restructuring, merger and related charges	23,000	--	3,800
Operating income	20,772	27,198	44,992
Other income (expense):			
Interest expense	(11,091)	(7,731)	(6,703)
Investment and other income, net	5,783	3,335	4,581
Income before provision for income taxes and minority interest	15,464	22,802	42,870
Provision for income taxes	4,700	8,354	16,288
Income before minority interest	10,764	14,448	26,582
Minority interest in income of consolidated subsidiary	(588)	--	--
Net income	\$ 10,176	\$ 14,448	\$ 26,582
Earnings per share:			
Basic	\$ 0.35	\$ 0.52	\$ 0.95
Diluted	\$ 0.34	\$ 0.51	\$ 0.92
Weighted average number of common shares outstanding:			
Basic	28,761	27,800	28,123
Diluted	29,831	28,105	33,093

See accompanying notes to consolidated financial statements.

PHOTRONICS, INC. AND SUBSIDIARIES

Consolidated Statement of Shareholders' Equity Years Ended October 31, 2000 and 1999 and November 1, 1998

(in thousands)

	Common Stock		Add'l Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)			Deferred Compen- sation on Re- stricted Stock	Total Share- holders' Equity
	Shares	Amount			Unreal- ized Invest- ment Gains	Foreign Currency Trans- lation	Total		
Balance at November 2, 1997	28,054	\$ 280	\$ 103,423	\$ 112,303	\$ 3,251	\$ (1,660)	\$ 1,591	\$ (249)	\$ 217,348
Comprehensive Income:									
Net income	--	--	--	26,582	--	--	--	--	26,582
Change in unrealized gains on investments	--	--	--	--	(2,084)	--	(2,084)	--	(2,084)
Foreign currency translation adjustment	--	--	--	--	--	(1,310)	(1,310)	--	(1,310)
Total comprehensive income				26,582	(2,084)	(1,310)	(3,394)		23,188
Sale of common stock through employee stock option and purchase plans	404	5	4,295	--	--	--	--	--	4,300
Amortization of re- stricted stock to compensation expense	--	--	--	--	--	--	--	110	110
Common stock repurchases	(500)	(5)	(6,745)	--	--	--	--	--	(6,750)
Balance at November 1, 1998	27,958	280	100,973	138,885	1,167	(2,970)	(1,803)	(139)	238,196
Comprehensive Income:									
Net income	--	--	--	14,448	--	--	--	--	14,448
Adjustment to reflect Align-Rite's results for the period from April 1, 1998 to September 30, 1998	--	--	--	3,596	--	--	--	--	3,596
Change in unrealized gains on investments	--	--	--	--	1,357	--	1,357	--	1,357
Foreign currency translation adjustment	--	--	--	--	--	(2,125)	(2,125)	--	(2,125)
Total comprehensive income				18,044	1,357	(2,125)	(768)		17,276
Sale of common stock through employee stock option and purchase plans	467	4	5,466	--	--	--	--	--	5,470
Amortization of re- stricted stock to compensation expense	--	--	--	--	--	--	--	88	88
Common stock repurchases	(500)	(5)	(6,895)	--	--	--	--	--	(6,900)
Balance at October 31, 1999	27,925	279	99,544	156,929	2,524	(5,095)	(2,571)	(51)	254,130
Comprehensive Income:									
Net income	--	--	--	10,176	--	--	--	--	10,176
Change in unrealized gains on investments	--	--	--	--	2,776	--	2,776	--	2,776
Adjustment to reflect Align- Rite's results for the period from October 1, 1999 to October 31, 1999	--	--	--	141	--	--	--	--	141
Foreign currency translation adjustment	--	--	--	--	--	(10,082)	(10,082)	--	(10,082)
Total comprehensive income				10,317	2,776	(10,082)	(7,306)		3,011
Sale of common stock in a private placement	1,000	10	21,831	--	--	--	--	--	21,841

Sale of common stock through employee stock option and purchase plans	763	8	14,809	--	--	--	--	--	14,817
Restricted stock awards, net of amortization to compensation expense	--	--	261	--	--	--	--	(80)	181
Balance at October 31, 2000	29,688	\$ 297	\$ 136,445	\$ 167,246	\$ 5,300	\$ (15,177)	\$ (9,877)	\$ (131)	\$ 293,980
	=====	=====	=====	=====	=====	=====	=====	=====	=====

See accompanying notes to consolidated financial statements.

PHOTRONICS, INC. AND SUBSIDIARIES

Consolidated Statement of Cash Flows

(dollars in thousands)

	Years Ended		
	October 31, 2000	October 31, 1999	November 1, 1998
	-----	-----	-----
Cash flows from operating activities:			
Net income	\$ 10,176	\$ 14,448	\$ 26,582
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property, plant and equipment	53,322	45,015	35,742
Amortization of intangible assets	3,546	2,783	2,529
Gain on sale of investments	(6,430)	(1,479)	(838)
Deferred income taxes	1,251	8,104	1,467
Restructuring and related charges	17,500	--	3,800
Other	2,398	387	342
Changes in assets and liabilities, net of effects of acquisitions:			
Accounts receivable	(3,591)	(12,084)	1,670
Inventories	596	(109)	(2,978)
Other current assets	(1,171)	(1,910)	(2,435)
Accounts payable and accrued liabilities	(28,009)	9,852	(5,523)
Net cash provided by operating activities	49,588	65,007	60,358
Cash flows from investing activities:			
Acquisitions of and investments in photomask operations, net of cash acquired	(37,312)	(13,525)	(34,922)
Deposits on and purchases of property, plant and equipment	(43,599)	(83,719)	(80,748)
Net change in short-term investments	--	7,532	20,657
Proceeds from sale of investments	6,706	1,578	932
Other	(135)	(7,817)	2,218
Net cash used in investing activities	(74,340)	(95,951)	(91,863)
Cash flows from financing activities:			
Net borrowings under revolving credit facility	32,436	31,039	--
Repayment of long-term debt	(22,060)	(3,068)	(266)
Proceeds from issuance of common stock	32,424	5,084	4,148
Purchase and retirement of common stock	--	(6,900)	(6,750)
Other	--	(201)	120
Net cash provided by (used in) financing activities	42,800	25,954	(2,748)
Effect of exchange rate changes on cash	493	101	(962)
Net increase (decrease) in cash and cash equivalents	18,541	(4,889)	(35,215)
Cash and cash equivalents at beginning of period	23,115	29,364	64,579
Adjustment related to Align-Rite's net cash flows resulting from differences in fiscal reporting periods	(3,474)	(1,360)	--
Cash and cash equivalents at end of period	\$ 38,182	\$ 23,115	\$ 29,364
	=====	=====	=====

See accompanying notes to consolidated financial statements.

PHOTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements Years Ended October 31, 2000 and 1999 and November 1, 1998

(dollars in thousands, except per share amounts)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The accompanying Consolidated Financial Statements include the accounts of Photronics, Inc. and its subsidiaries, ("Photronics" or "Company"). Historical financial statements and notes thereto have been restated to reflect the merger with Align-Rite International, Inc. (see Note 2) which was accounted for as a pooling-of-interests. All significant intercompany balances and transactions have been eliminated.

Foreign Currency Translation

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

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments purchased with an original maturity of three months or less. The carrying values approximate fair value based on the short maturity of the instruments.

Investments

The Company's debt and equity investments are classified as available-for-sale, and carried at fair value. Unrealized gains and losses, net of tax, are reported as other comprehensive income (loss) as a separate component of shareholders' equity. Gains and losses are included in income when realized, determined based on the disposition of specifically identified investments.

Inventories

Inventories, principally raw materials, are stated at the lower of cost, determined under the first-in, first-out (FIFO) method, or market.

Long-Lived Assets

Property, plant and equipment are recorded at cost less accumulated depreciation. Repairs and maintenance as well as renewals and replacements of a routine nature are charged to operations as incurred, while those which improve

or extend the lives of existing assets are capitalized. Upon sale or other disposition, the cost of the asset and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is reflected in income.

For financial reporting purposes, depreciation and amortization are computed on the straight-line method over the estimated useful lives of the related assets. Buildings and improvements are depreciated over 15 to 40 years, machinery and equipment over 3 to 10 years and furniture, fixtures and office equipment over 3 to 5 years. Leasehold improvements are amortized over the life of the lease or the estimated useful life of the improvement, whichever is less. For income tax purposes, depreciation is computed using various accelerated methods and, in some cases, different useful lives than those used for financial reporting.

Intangible Assets

Intangible assets consist primarily of goodwill and other acquisition-related intangibles, and software development costs. These assets are stated at fair value as of the date incurred less accumulated amortization. Amortization is calculated on a straight-line basis over estimated useful lives of 3 to 15 years for goodwill and acquisition-related assets, and over 5 years for software development costs. The future economic benefit of the carrying value of all long-lived assets is reviewed periodically and any diminution in useful life or impairment in value based on future anticipated undiscounted cash flows would be recorded in the period so determined.

Income Taxes

The provision for income taxes is computed on the basis of consolidated financial statement income. Deferred income taxes reflect the tax effects of differences between the carrying amounts of assets and liabilities for financial reporting and the amounts used for income tax purposes.

Earnings Per Share

Earnings per share ("EPS") amounts are calculated in accordance with the provisions of Statement of Financial Accounting Standards ("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.

Stock Based Compensation

The Company records stock option awards in accordance with the provisions of Accounting Principles Board Opinion 25, "Accounting for Stock Issued to Employees." The Company estimates the fair value of stock option awards in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation," and discloses the resulting estimated compensation effect on net income on a pro forma basis.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 2 - BUSINESS COMBINATIONS

ALIGN-RITE MERGER

On June 7, 2000, Photronics completed its merger with Align-Rite International, Inc. ("Align-Rite"), herein after collectively referred to as the Company. Under the terms of the Merger Agreement, each of the 4,731,232 shares of common stock of Align-Rite issued and outstanding as of June 7, 2000 was converted into .85 shares of common stock of Photronics. Cash was paid in lieu of the issuance of any fractional shares of Photronics that would otherwise have been issued. Any stock options to acquire Align-Rite common stock that had not been exercised as of June 7, 2000 became fully vested options to acquire Photronics common stock in accordance with the Merger Agreement. The merger constituted a tax-free reorganization and has been accounted for as a pooling-of-interests. Accordingly, the consolidated financial statements for each of the three years ended October 31, 2000, October 31, 1999 and November 1, 1998 and the accompanying notes thereto reflect the Company's financial position, results of operations and cash flows as if Align-Rite had been a wholly-owned subsidiary of Photronics for all periods presented. Prior to the merger, Align-Rite's fiscal year ended on March 31. For purposes of the Consolidated Financial Statements, Align-Rite's prior period financial statements have been combined with Photronics' as follows:

Photronics Period Ended	Align-Rite Period Ended
-----	-----
Year ended October 31, 1999	Year ended September 30, 1999
Year ended November 1, 1998	Year ended March 31, 1998

The financial statement balances of Align-Rite have been reclassified to conform with Photronics' presentation.

To conform the reporting periods to within 93 days of Photronics' fiscal year end, Align-Rite's operating results for the period from April 1, 1998 to September 30, 1998 have been excluded from the combined results for the year ended November 1, 1998. Sales and net income of \$27,683 and \$3,596, respectively, have been excluded. Components of the consolidated results of operations of Photronics and Align-Rite prior to their combination were as follows:

	Years Ended	
	October 31, 1999	November 1, 1998
Net sales		

Photronics	\$ 223,702	\$ 222,572
Align-Rite	53,693	46,721
	-----	-----
Combined	\$ 277,395	\$ 269,293
	=====	=====
Net income		

Photronics	\$ 10,668	\$ 20,482
Align-Rite	3,780	6,100
	-----	-----
Combined	\$ 14,448	\$ 26,582
	=====	=====

The Company recorded a pre-tax charge of approximately \$5.5 million for transaction costs incurred in connection with the merger. Such costs consisted primarily of fees for investment bankers, attorneys, accountants, financial printing and other related charges.

ACQUISITION OF PSMC

Effective June 20, 2000, the Company acquired a majority of the total share capital 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. Accordingly, a portion of the purchase price has been allocated to assets acquired and liabilities assumed based upon estimated fair value at the date of acquisition, while the balance of \$31.2 million was recorded as goodwill and is being amortized over 15 years. The purchase price allocation is preliminary and further refinements are likely to be made upon the completion of the final valuation. The operating results of PSMC have been included in the Consolidated Statement of Earnings from June 20, 2000.

The following table presents unaudited consolidated pro forma information as if the acquisition of PSMC had occurred as of the beginning of the periods presented:

	Years Ended		
	October 31, 2000	October 31, 1999	November 1, 1998
Net sales	\$343,248	\$292,246	\$270,552
Net income	\$ 6,508	\$ 5,735	\$ 22,280
Diluted earnings per share	\$ 0.22	\$ 0.20	\$ 0.79

In management's opinion, these unaudited consolidated pro forma amounts are not necessarily indicative of what the actual combined results of operations might have been if the acquisition of PSMC had been effective at the beginning of the periods presented.

OTHER

On July 2, 1999, the Company acquired certain assets that are used in the manufacture of photomasks from Harris Corporation (now known as Intersil) for \$13.5 million. The transaction was accounted for as a purchase and accordingly, the excess of purchase price over the fair value of assets acquired of approximately \$7.9 million was recorded as goodwill and is being amortized over fifteen years.

On December 31, 1997, the Company acquired the internal photomask manufacturing operations of Motorola, Inc. ("Motorola") in Mesa, Arizona for \$29 million in cash. The assets acquired include modern manufacturing systems, capable of supporting a wide range of photomask technologies. Additionally, the Company entered into a multi-year supply agreement whereby it will supply the photomask requirements previously provided by Motorola's internal operations. The acquisition was accounted for as a purchase and, accordingly, the acquisition price was allocated to property, plant and equipment as well as certain intangible assets based on relative fair value. The excess of purchase price over the fair value of assets acquired is being amortized over fifteen years. The Consolidated Statement of Earnings includes the results of the former Motorola photomask operations from December 31, 1997, the effective date of the acquisition.

NOTE 3 - INVESTMENTS

There were no short-term investments as of October 31, 2000 and 1999.

Investments consist of available-for-sale equity securities of publicly traded technology companies. The fair values of available-for-sale investments are based upon quoted market prices. The estimated fair value is based upon the financial condition and the operating results and projections of the investee and

is considered to approximate cost. Unrealized gains on investments were determined as follows:

	October 31, 2000	October 31, 1999
Fair value	\$12,797	\$ 8,594
Cost	4,249	4,523
	8,548	4,071
Less deferred income taxes	3,248	1,547
Net unrealized gains	\$ 5,300	\$ 2,524
	=====	=====

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

	October 31, 2000	October 31, 1999
Land	\$ 4,438	\$ 3,937
Buildings and improvements	45,701	38,800
Machinery and equipment	529,237	449,554
Leasehold improvements	14,801	9,443
Furniture, fixtures and office equipment	32,530	17,573
	626,707	519,307
Less accumulated depreciation and amortization	231,426	171,163
	\$ 395,281	\$ 348,144
	=====	=====

NOTE 5 - INTANGIBLE ASSETS

Intangible assets consist of the following:

	October 31, 2000	October 31, 1999
Goodwill	\$ 52,220	\$ 29,582
Other	16,430	15,677
	68,650	45,259
Less accumulated amortization	9,373	8,384
	\$ 59,277	\$ 36,875
	=====	=====

NOTE 6 - LONG-TERM DEBT

Long-term debt consists of the following:

	October 31, 2000	October 31, 1999
Borrowings under revolving credit facilities	\$ 68,675	\$ 36,239
6% Convertible Subordinated Notes due June 1, 2004	103,400	103,500
Secured notes payable	31,144	9,402
Other	427	714
	-----	-----
	203,646	149,855
Less current portion	849	1,574
	-----	-----
Long-term debt	\$202,797	\$148,281
	=====	=====

Long-term debt matures as follows: 2002 - \$53; 2003 - \$24,465; 2004 - \$172,137; 2005 - \$6,130; years after 2005 - \$12. The fair value of long-term debt not yet substantively extinguished is estimated based on the current rates offered to the Company and is not significantly different from carrying value, except that the fair value of the convertible subordinated notes, based upon the most recently reported trade as of October 31, 2000, amounted to \$104.2 million.

The Company has an unsecured revolving credit facility to provide for borrowings of up to \$125 million at any time through November 2003. The Company is charged a commitment fee on the average unused amount of the available credit. At October 31, 2000, \$56.3 million was available under this credit facility. The effective interest rate for fiscal 2000 was approximately 7.5%. The revolving credit facility was amended April 28, 2000, in order to obtain the lenders' consent to the Align-Rite and PSMC acquisitions, and to modify certain covenants and definitions in connection with the restructuring. The Company is subject to compliance with and maintenance of certain financial covenants and ratios set forth in the credit facility, as amended. Prior to the merger, Align-Rite maintained an aggregate \$35 million line of credit agreement ("credit agreement") with a bank at a variable interest rate, equal to 1.50% above the bank's LIBOR rate. All outstanding balances under this credit agreement aggregating \$32 million were repaid.

On May 29, 1997, the Company sold \$103.5 million of convertible subordinated notes, due in 2004, in a public offering. The notes bear interest at 6% per annum and are convertible at any time by the holders into 3.7 million shares of the Company's common stock, at a conversion price of \$27.97 per share. The notes are redeemable at the Company's option, in whole or in part, at certain premiums decreasing through the maturity date. Interest is payable semi-annually.

Secured notes payable consist primarily of collateralized equipment loans with interest rates ranging from approximately 6.0% to 8.0% and are repayable in monthly installments through December 2004.

Cash paid for interest amounted to \$11,724, \$7,123 and \$6,311 in 2000, 1999 and 1998, respectively.

NOTE 7 - EARNINGS PER SHARE

A reconciliation of basic and diluted EPS follows:

	Net Income	Average Shares Outstanding	Earnings Per Share
	-----	-----	-----
2000:			
Basic	\$10,176	28,761	\$0.35
Effect of potential dilution from exercise of stock options(a)	--	1,070	=====
	-----	-----	
Diluted	\$10,176	29,831	\$0.34
	=====	=====	=====
1999:			
Basic	\$14,448	27,800	\$0.52
Effect of potential dilution from exercise of stock options (a)	--	305	=====
	-----	-----	
Diluted	\$14,448	28,105	\$0.51
	=====	=====	=====
1998:			
Basic	\$26,582	28,123	\$0.95
Effect of potential dilution from exercise of stock options and conversion of notes	3,809	4,970	=====
	-----	-----	
Diluted	\$30,391	33,093	\$0.92
	=====	=====	=====

(a) The effect of the potential conversion of notes into 3.7 million shares of common stock for 2000 and 1999 is anti-dilutive.

NOTE 8 - INCOME TAXES

The provision for income taxes consists of the following:

	2000	1999	1998
	-----	-----	-----
Current:			
Federal	\$ 1,344	\$ (774)	\$ 11,298
State	54	205	1,612
Foreign	2,051	819	1,911
	-----	-----	-----
	3,449	250	14,821
	-----	-----	-----
Deferred:			
Federal	1,498	6,935	1,389
State	(12)	786	(223)
Foreign	(235)	383	301
	-----	-----	-----
	1,251	8,104	1,467
	-----	-----	-----
	\$ 4,700	\$ 8,354	\$ 16,288
	=====	=====	=====

The provision for income taxes differs from the amount computed by applying the statutory U.S. Federal income tax rate to income before taxes as a result of the following:

	2000	1999	1998
	-----	-----	-----
U.S. Federal income tax at statutory rate of 35%	\$ 5,413	\$ 7,981	\$ 15,005
State income taxes, net of Federal benefit	23	965	1,193
Other, net	(736)	(592)	90
	-----	-----	-----
	\$ 4,700	\$ 8,354	\$ 16,288
	=====	=====	=====

The Company's net deferred tax liability consists of the following:

	October 31, 2000	October 31, 1999
	-----	-----
Deferred income tax liabilities:		
Property, plant and equipment	\$ 24,902	\$ 22,442
Investments	3,248	1,547
Other	2,777	1,308
	-----	-----
Total deferred tax liability	30,927	25,297
	-----	-----

Deferred income tax assets:		
Reserves not currently deductible	9,847	1,177
Other	3,348	4,281
	-----	-----
Total deferred tax asset	13,195	5,458
	-----	-----
Net deferred tax liability	\$ 17,732	\$ 19,839
	=====	=====

Cash paid for income taxes amounted to \$ 0.9 million, \$2.9 million and \$17.0 million in 2000, 1999 and 1998, respectively.

NOTE 9 - EMPLOYEE STOCK PURCHASE AND OPTION PLANS

In 2000, the shareholders approved the adoption of the 2000 Stock Option Plan which includes provisions allowing for the award of qualified and non-qualified stock options and the granting of restricted stock awards. A total of one million shares of common stock may be issued pursuant to options or restricted stock awards granted under the Plan. Restricted stock awards do not require the payment of any cash consideration by the recipient, but shares subject to an award may be forfeited unless conditions specified in the grant are satisfied.

The Company has previously adopted other stock option plans under which incentive and non-qualified stock options and restricted stock awards may be granted. All plans provide that the exercise price may not be less than the fair market value of the common stock at the date the options are granted and limit the term of options granted to a maximum of ten years.

The following table summarizes stock option activity for each of the three years ended under the plans:

	Stock Options	Exercise Prices	
	-----	-----	-----
Balance at November 2, 1997	2,606,681	\$ 0.94	- \$ 21.97
Granted	875,825	11.00	- 31.44
Exercised	(329,389)	0.94	- 16.38
Cancelled	(96,875)	0.94	- 31.44

Balance at November 1, 1998	3,056,242	0.94	- 31.44
Granted	359,106	11.91	- 25.88
Exercised	(430,660)	0.94	- 21.97
Cancelled	(156,488)	0.94	- 31.44

Balance at October 31, 1999	2,828,200	0.94	- 31.44
Granted	848,281	0.94	- 31.44
Exercised	(646,464)	0.94	- 22.38
Cancelled	(236,351)	3.08	- 31.44

Balance at October 31, 2000	2,793,666	\$ 0.94	- \$ 31.44
	=====		

The following table summarizes information concerning currently outstanding and exercisable options as of October 31, 2000:

	Range of Exercise Prices		
	\$0.94-\$10.00	\$10.00-\$20.00	\$20.00-\$31.44
Outstanding:			
Number of options	476,995	1,038,618	1,278,053
Weighted average remaining years	3.5	6.6	8.9
Weighted average exercise price	\$ 4.38	\$ 12.79	\$ 23.41
Exercisable:			
Number of options	476,995	806,450	174,734
Weighted average exercise price	\$ 4.38	\$ 12.80	\$ 23.09

At October 31, 2000, 814,888 shares were available for grant and 1,458,179 shares were exercisable at a weighted average exercise price of \$11.28.

The Company has not recognized compensation expense in connection with stock option grants under the plans. However, had compensation expense been determined based on the fair value of the options on the grant dates, the Company's pro forma net income and earnings per share would have been reduced by approximately \$1.4 million, or \$0.05 per diluted share in 2000, by approximately \$2.7 million, or \$0.10 per diluted share in 1999, and by approximately \$2.3 million, or \$0.07 per diluted share in 1998. The weighted average fair value of options granted was \$23.76 per share in 2000, \$17.52 per share in 1999 and \$6.78 per share in 1998. Fair value is estimated based on the Black-Scholes option-pricing model with the following weighted average assumptions: dividend yield of 0%; expected volatility of 68.8% in 2000, 67.1% in 1999, and 54.4% in 1998; and risk-free interest rates of 7.5% in 2000, 6.2% in 1999 and 4.4% in 1998.

The Company maintains an Employee Stock Purchase Plan ("Purchase Plan"), under which 600,000 shares of common stock were reserved for issuance. The Purchase Plan enables eligible employees to subscribe, through payroll deductions, to purchase shares of the Company's common stock at a purchase price equal to 85% of the lower of the fair market value on the commencement date of the offering and the last day of the payroll payment period. At October 31, 2000, 408,683 shares had been issued and 62,429 shares were subject to outstanding subscriptions under the Purchase Plan.

NOTE 10 - EMPLOYEE BENEFIT PLANS

The Company maintains a 401(k) Savings and Profit-Sharing Plan (the "Plan") which covers all domestic employees who have completed six months of service and are eighteen years of age or older. Under the terms of the Plan, an employee may contribute up to 15% of their compensation, which will be matched by the Company at 50% of the employee's contributions, which are not in excess of 4% of the employee's compensation. Employee and employer contributions vest fully upon contribution. Employer contributions amounted to \$0.9 million in 2000, \$0.6 million in 1999 and \$0.3 million in 1998.

The Company maintains a cafeteria plan to provide eligible domestic employees with the option to receive non-taxable medical, dental, disability and life insurance benefits. The cafeteria plan is offered to all active full-time domestic employees and their qualifying dependents. The Company's contribution amounted to \$5.4 million in 2000, \$4.5 million in 1999 and \$3.3 million in 1998.

Prior to the merger, Align-Rite had a qualified 401(k) Profit Sharing Plan (the "Profit Sharing Plan") available to all employees who met the Profit Sharing Plan's eligibility requirements. Align-Rite made contributions to the Profit Sharing Plan of approximately \$0.1 million in 1999 and 1998.

The Company's foreign subsidiaries maintain benefit plans for their employees, which vary by country. The obligations and cost of these plans are not significant to the Company.

NOTE 11 - LEASES

The Company leases various real estate and equipment under non-cancelable operating leases. Rental expense under such leases amounted to \$2.2 million in 2000, \$4.9 million in 1999 and \$5.2 million in 1998.

Future minimum lease payments under non-cancelable operating leases with initial or remaining terms in excess of one year amounted to \$4.5 million at October 31, 2000, as follows:

2001.....	\$ 899	2004.....	\$ 462
2002.....	\$ 609	2005.....	\$ 464
2003.....	\$ 485	Thereafter.....	\$1,549

NOTE 12 - COMMITMENTS AND CONTINGENCIES

At October 31, 2000, the Company had capital expenditure purchase commitments outstanding of approximately \$50 million. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions, including collectibility of accounts receivable, depreciable lives and recoverability of property, plant and equipment, intangible assets and certain accrued liabilities. Actual results may differ from such estimates.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions, including collectability of accounts receivable, depreciable lives and recoverability of property, plant, equipment, intangible assets and certain accrued liabilities. Actual result may differ from such estimates.

Financial instruments that potentially subject the Company to credit risk consist principally of trade receivables and temporary cash investments. The Company sells its products primarily to manufacturers in the semiconductor and computer industries in North America, Europe and Asia. The Company believes that the concentration of credit risk in its trade receivables is substantially mitigated by the Company's ongoing credit evaluation process and relatively short collection terms. The Company does not generally require collateral from customers. The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information. Historically, the Company has not incurred any significant credit-related losses.

NOTE 13 - SEGMENT INFORMATION

The Company operates in a single industry segment as a manufacturer of photomasks, which are high precision quartz plates containing microscopic images of electronic circuits for use in the fabrication of semiconductors. In addition to its manufacturing facilities in the United States, the Company has operations in the United Kingdom, Germany, Singapore and Taiwan. The Company's 2000, 1999 and 1998 net sales, operating income (loss) and identifiable assets by geographic area were as follows:

	Net Sales	Operating Income (Loss)	Identifiable Assets
	-----	-----	-----
2000:			
North America	\$240,013	\$ 9,599	\$417,515
Europe	59,211	7,143	93,727
Asia	31,988	4,030	98,319
	-----	-----	-----
	\$331,212	\$ 20,772	\$609,561
	=====	=====	=====
1999:			
North America	\$216,342	\$ 25,237	\$364,818
Europe	48,403	3,746	107,522
Asia	12,650	(1,785)	29,969
	-----	-----	-----
	\$277,395	\$ 27,198	\$502,309
	=====	=====	=====
1998:			
North America	\$213,239	\$ 36,821	\$312,837
Europe	39,262	4,740	73,757
Asia	16,792	3,431	35,108
	-----	-----	-----
	\$269,293	\$ 44,992	\$421,702
	=====	=====	=====

Approximately 4% of net domestic sales in 2000 were for delivery outside of the United States (5% in 1999 and 8% in 1998).

During fiscal 2000, no single customer accounted for more than 10% of the Company's net sales. In fiscal 1999, two customers each represented approximately 10% of total net sales, and in fiscal 1998, one customer represented approximately 14% of total net sales.

NOTE 14 - COMPREHENSIVE INCOME (LOSS)

The Company's comprehensive income as reported in the Consolidated Statement of Shareholders' Equity, consists of net earnings, and all changes in equity during a period except those resulting from investments by owners and distributions to owners, which are presented before-tax. The Company does not provide for U.S. income taxes on foreign currency translation adjustments because it does not provide for such taxes on undistributed earnings of foreign subsidiaries. Accumulated other comprehensive income (loss) consists of unrealized gains and losses on certain investments in equity securities and foreign currency translation adjustments. The related tax effects allocated to each component of other comprehensive income (loss) were as follows for the three years ended October 31, 2000:

	Before-Tax Amount -----	Tax (Expense) or Benefit -----	Net-of-Tax Amount -----
2000:			
Foreign currency translation adjustment	\$(10,082)	\$ --	\$(10,082)
Unrealized gains on investments:			
Unrealized holding gains arising during the period	10,499	(3,318)	7,181
Less: reclassification adjustment for gains realized in net income	(6,430)	2,025	(4,405)
Net unrealized gains	4,069	(1,293)	2,776
Other comprehensive loss	\$ (6,013)	\$ (1,293)	\$ (7,306)
	=====	=====	=====
1999:			
Foreign currency translation adjustment	\$ (2,125)	\$ --	\$ (2,125)
Unrealized gains on investments:			
Unrealized holding gains arising during the period	4,574	(1,738)	2,836
Less: reclassification adjustment for gains realized in net income	(2,385)	906	(1,479)
Net unrealized gains	2,189	(832)	1,357
Other comprehensive income (loss)	\$ 64	\$ (832)	\$ (768)
	=====	=====	=====
1998:			
Foreign currency translation adjustment	\$ (1,310)	\$ --	\$ (1,310)
Unrealized losses on investments:			
Unrealized holding losses arising during the period	(2,523)	959	(1,564)
Less: reclassification adjustment for gains realized in net income	(838)	318	(520)
Net unrealized losses	(3,361)	1,277	(2,084)
Other comprehensive income (loss)	\$ (4,671)	\$ 1,277	\$ (3,394)
	=====	=====	=====

NOTE 15 - RESTRUCTURING AND RELATED CHARGES

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 consolidation plan of \$17.5 million were recorded in the second quarter of 2000. Of the total charge, \$9.1 million related to restructuring and \$8.4 million related to the impairment of intangible assets.

The significant components of the consolidation plan included the closing of the Company's Sunnyvale, California and Neuchatel, Switzerland manufacturing facilities and the consolidation and regionalization of sales and customer service functions. The Company anticipates that the closing of the Sunnyvale and Neuchatel facilities will maximize capacity utilization at its remaining mature products facilities. As part of the plan, the Company reduced its work force by approximately 125 employees. The restructuring charge of \$9.1 million includes \$1.5 million of cash charges for severance benefits paid to terminated employees which was disbursed over their entitlement period and \$2.3 million for facilities closings and lease termination costs to be expended through the first quarter of 2001. Additionally, non-cash charges of \$5.3 million approximated the carrying value primarily of fixed assets associated with the manufacturing consolidation based upon their expected disposition. Such assets, consisting principally of specialized manufacturing tools and equipment, were subsequently taken out of service.

The charge also included \$8.4 million related to the impairment in value of associated intangible assets. It was determined during the period that such assets no longer had future economic benefit to the Company because the anticipated undiscounted cumulative cash flows from these assets were insufficient to support their carrying value.

In March 1998, the Company initiated a plan to optimize its North American manufacturing network. It reorganized its two California operations, and its Sunnyvale facility to the production of mature technology photomasks, and its Colorado Springs, Colorado photomask manufacturing operations into its other North American manufacturing facilities. The Company determined that its Large Area Mask (LAM) Division, which was also located in Colorado Springs, did not represent a long-term strategic fit with its core photomask business, and accordingly, announced its intention to sell the LAM Division. The Company recorded a \$3.8 million charge in the second quarter of 1998 for the restructuring, including \$3.3 million of non-cash charges to reduce the carrying value of LAM Division property, plant and equipment to its net realizable value based upon the estimated proceeds from the sale of the LAM Division business taken as a whole. Such assets, consisting principally of specialized manufacturing tools and equipment, had a carrying value of \$3.6 million (prior to the write-down), remained in use and continued to be depreciated pending the disposition of the LAM division. The LAM division was sold in January 1999 without any additional effect on results of operations.

NOTE 16 - QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following table sets forth certain unaudited quarterly financial data:

	FIRST	SECOND	THIRD	FOURTH	YEAR
2000:					
Net sales	\$ 72,585	\$ 76,360	\$ 85,595	\$ 96,672	\$331,212
Gross margin	22,250	25,228	28,919	34,165	110,562
Net income (loss)	3,531	(5,302)	3,158	8,789	10,176
Earnings (loss) per share:					
Basic	\$ 0.13	(\$ 0.19)	\$ 0.11	\$ 0.30	\$ 0.35
Diluted	\$ 0.13	(\$ 0.19)	\$ 0.11	\$ 0.29	\$ 0.34
1999:					
Net sales	\$ 59,898	\$ 66,503	\$ 72,395	\$ 78,599	\$277,395
Gross margin	16,141	19,596	22,577	25,614	83,928
Net income	1,422	2,971	4,348	5,707	14,448
Earnings per share:					
Basic	\$ 0.05	\$ 0.11	\$ 0.16	\$ 0.21	\$ 0.52
Diluted	\$ 0.05	\$ 0.11	\$ 0.16	\$ 0.20	\$ 0.51

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There were no disagreements on any accounting and financial disclosure matters between the Company and its independent certified public accountants for which a Form 8-K was required to be filed during the 24 months ended October 31, 2000 or for the period from October 31, 2000 to the date hereof.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information as to Directors required by Item 401 and 405 of Regulation S-K is set forth in the Company's definitive proxy statement (the "Definitive Proxy Statement") which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Form 10-K under the caption "ELECTION OF DIRECTORS" and is incorporated herein by reference. The information as to Executive Officers is included in Part I, Item 1A of this report under the caption "Executive Officers."

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 402 of Regulation S-K is set forth in the Definitive Proxy Statement under the captions "EXECUTIVE COMPENSATION" and "DIRECTORS' COMPENSATION" and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by Item 403 of Regulation S-K is set forth in the Definitive Proxy Statement under the caption "OWNERSHIP OF COMMON STOCK BY DIRECTORS, NOMINEES, OFFICERS AND CERTAIN BENEFICIAL OWNERS" and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by Item 404 of Regulation S-K is set forth in the Definitive Proxy Statement under the caption "CERTAIN TRANSACTIONS" and is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(A) The following documents are filed as part of this report:

1) Financial Statements

Independent Auditors' Reports

Consolidated Balance Sheet at October 31, 2000 and 1999

Consolidated Statement of Earnings for the years ended October 31, 2000 and 1999, and November 1, 1998

Consolidated Statement of Shareholders' Equity for the years ended October 31, 2000 and 1999, November 1, 1998

Consolidated Statement of Cash Flows for the years ended October 31, 2000 and 1999 and November 1, 1998

Notes to Consolidated Financial Statements

2) Financial Statement Schedules

Schedules for which provision is made in Regulation S-X of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

3) Exhibits: See Exhibits Index.

(B) Reports on Form 8-K

No reports on Form 8-K were filed by the Company during the fourth quarter ended October 31, 2000.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PHOTRONICS, INC. (Registrant)

By ROBERT J. BOLLO January 25, 2001
Robert J. Bollo
Senior Vice President
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By CONSTANTINE S. MACRICOSTAS January 25, 2001
Constantine S. Macricostas
Chief Executive Officer and
Chairman of the Board

By ROBERT J. BOLLO January 25, 2001
Robert J. Bollo
Senior Vice President
Chief Financial Officer

By SEAN T. SMITH January 25, 2001
Sean T. Smith
Vice President
Controller

By WALTER M. FIEDEROWICZ January 25, 2001
Walter M. Fiederowicz
Director

By JOSEPH A. FIORITA, JR. January 25, 2001
Joseph A. Fiorita, Jr.
Director

By JAMES L. MAC DONALD January 25, 2001
James L. Mac Donald
President and Director

By WILLEM D. MARIS January 25, 2001
Willem D. Maris
Director

By MICHAEL J. YOMAZZO January 25, 2001
Michael J. Yomazzo
Vice Chairman and Director

EXHIBITS INDEX

Exhibit Number	Description
2.1	Agreement and Plan of Merger dated as of September 15, 1999 among Photronics, Inc., AL Acquisition Corp. and Align-Rite International, Inc. was filed as Exhibit 2.1. to the Form 8-K dated September 24, 1999 filed by Photronics, Inc. and is incorporated herein by reference.
2.2	Amendment No. 1 to Agreement and Plan of Merger dated January 10, 2000 among Photronics, Inc., AL Acquisition Corp. and Align-Rite International, Inc. was filed as Exhibit 2.1 to the Form 8-K dated January 14, 2000 filed by Photronics, Inc. and is incorporated herein by reference.
3.1	Certificate of Incorporation. (1)
3.2	By-Laws, as amended. (1)
3.3	Amendment to Certificate of Incorporation, dated March 16, 1990. (3)
3.4	Amendment to Certificate of Incorporation, dated March 16, 1995. (10)
3.5	Amendment to Certificate of Incorporation, dated November 13, 1997. (13)
4.1	Form of Stock Certificate. (1)
10.1	Voting Agreement dated as of September 15, 1999 among Photronics, Inc. and certain shareholders of Align-Rite International, Inc. was filed as Exhibit 10.1 to the Form 8-K dated September 24, 1999 filed by Photronics, Inc. and is incorporated herein by reference.
10.2	Reaffirmation of Voting Agreement dated January 10, 2000 among Photronics, Inc. and certain shareholders of Align-Rite International, Inc. was filed as Exhibit 10.1 to the Form 8-K dated January 14, 2000 filed by Photronics, Inc. and is incorporated herein by reference.
10.3	Loan Agreement, dated August 10, 1984, among the Company, Fairfield Associates, and the Connecticut Development Authority. (1)
10.4	Indenture of Trust, dated August 10, 1984, between the Connecticut Development Authority and Citytrust. (1)
10.5	Security Agreement, dated August 10, 1984, between the Company and the Connecticut Development Authority, with assignment to Citytrust, as Trustee. (1)

- 10.6 Lease Agreement, dated August 10, 1984, between the Company and Fairfield Associates. (1)
- 10.7 Guaranty Agreement, dated August 10, 1984, by the Company and Constantine Macricostas to Citytrust, as Trustee. (1)
- 10.8 Assumption Agreement between the Company, MC2 and the Connecticut Development Authority, dated October 15, 1992, and related Note, Mortgage and Collateral Assignment of Leases and amendments thereto. (6)
- 10.9 Assumption Agreement, Third Amendment to Loan Agreement and Amendment to Guaranty Photronic Labs Incorporated Project - 1984 Series, dated August 28, 1992, by and among Photronics California, Inc., Photronics Financial Services, Inc., Photronics Investment Services, Inc., Photronics Texas, Inc., the Company, Constantine Macricostas, the Connecticut Development Authority, The Chase Manhattan Bank of Connecticut, N.A. and Fairfield Associates. (6)
- 10.10 The Company's 1986 Non-Qualified Stock Option Plan, as amended. (2) +
- 10.11 The Company's 1988 Non-Qualified Stock Option Plan. (8) +
- 10.12 Amendment #1 to the Company's 1988 Non-Qualified Stock Option Plan. (3) +
- 10.13 Amendment to Security Agreements, dated October 31, 1988, by and among the Company, Citytrust, Constantine S. Macricostas and Mayo Associates. (8)
- 10.14 Amendment to Loan Agreements between the Company and the Connecticut Development Authority, dated as of June 8, 1990. (3)
- 10.15 Second Amendment to Loan Agreement dated as of December 20, 1991 by and among the Company, the Connecticut Development Authority and The Chase Manhattan Bank of Connecticut, N.A. (4)
- 10.16 Form of severance agreement between the Company and Mr. Macricostas. (8) +
- 10.17 Lease dated as of November 1, 1989 between the Company, MC3, Inc. and Alpha-Omega Associates. (8)
- 10.18 The Company's 2000 Stock Option Plan filed as Appendix A to the Company's Notice of Annual Meeting and Proxy Statement dated April 4, 2000 is incorporated herein by reference. +
- 10.19 The Company's 1992 Stock Option Plan. (5) +
- 10.20 The Company's 1992 Employee Stock Purchase Plan. (5)
- 10.21 The Company's 1994 Employee Stock Option Plan. (7) +

- 10.22 Form of Agreement regarding Life Insurance between the Company and each of Messrs. Macricostas, Yomazzo. (9) +
- 10.23 Credit Agreement between the Company and various lenders, dated November 19, 1998 was filed as Exhibit 10.21 to the Form 10-K of the Company for the fiscal year ended November 1, 1998 and is incorporated herein by reference.
- 10.24 First Amendment Agreement to Credit Agreement dated as of September 13, 1999 among the Company and various lenders was filed as Exhibit 10.24 to the Company's Annual Report on Form 10-K for the year ended October 31, 1999 and is incorporated herein by reference.
- 10.25 The Company's 1996 Stock Option Plan. (11) +
- 10.26 Letter Agreement between the Company and Michael J. Yomazzo, dated October 10, 1997. (13) +
- 10.27 Consulting Agreement between the Company and Michael J. Yomazzo, dated October 10, 1997. (13) +
- 10.28 Consulting Agreement between the Company and Constantine S. Macricostas, dated October 10, 1997. (13) +
- 10.29 Form of Indenture between The Chase Manhattan Bank, as Trustee, and the Company relating to the 6% Convertible Subordinated Notes due June 1, 2004. (12)
- 10.30 The Company's 1998 Stock Option Plan. (14) +
- 10.31 Second Amendment Agreement dated as of April 28, 2000 among Photronics, Inc., the lenders party thereto, and the Chase Manhattan Bank, as administrative agent was filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 30, 2000 and is incorporated herein by reference.
- 10.32 Employment Agreement dated July 17, 2000 between the Company and Robert J. Bollo. * +
- 10.33 Employment Agreement dated December 10, 1998 between the Company and Michael J. Yomazzo. * +
- 10.34 Employment Agreement dated March 31, 1995 between Align-Rite International, Inc. and James L. Mac Donald, filed as Exhibit 10.12 to Registration Statement No. 33-91978 on Form S-1, which is incorporated herein by reference. +
- 21 List of Subsidiaries. *
- 23.1 Consent of Deloitte & Touche LLP. *
- 23.2 Consent of PricewaterhouseCoopers LLP. *

- * Filed herewith.
- + Represents a management contract or compensatory plan or arrangement required to be filed as an exhibit to this form pursuant to item 14(c) of this report.

-
- (1) Filed as an exhibit to the Company's Registration Statement on Form S-1, File Number 33-11694, which was declared effective by the Commission on March 10, 1987, and incorporated herein by reference.
 - (2) Filed as an exhibit to the Company's Registration Statement on Form S-8, File Number 33-17530, which was declared effective on October 19, 1987, and incorporated herein by reference.
 - (3) Filed as an exhibit to the Company's Registration Statement on Form S-2, File Number 33-34772 which was declared effective by the Commission on June 22, 1990, and incorporated herein by reference.
 - (4) Filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 1991 and incorporated herein by reference.
 - (5) Filed as an exhibit to the Company's Registration Statement on Form S-8, File Number 33-47446, which was filed on April 24, 1992, and incorporated herein by reference.
 - (6) Filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 1992, and incorporated herein by reference.
 - (7) Filed as an exhibit to the Company's Registration Statement on Form S-8, File Number 33-78102, which was filed on April 22, 1994, and incorporated herein by reference.
 - (8) Filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 1993, and incorporated herein by reference.
 - (9) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended July 31, 1995, and incorporated herein by reference.
 - (10) Filed as an exhibit to the Company's Current Report on Form 8-K, dated March 24, 1995, and incorporated herein by reference.
 - (11) Filed as an exhibit to the Company's Registration Statement on Form S-8, File Number 333-02245, which was filed on April 4, 1996, and incorporated herein by reference.

(12) Filed as an exhibit to the Company's Registration Statement on Form S-3, File Number 333-26009, which was declared effective by the Commission on May 22, 1997, and incorporated herein by reference.

(13) Filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended November 2, 1997, and incorporated herein by reference.

(14) Filed as an exhibit to the Company's Registration Statement on Form S-8, File Number 333-50809, which was filed on April 23, 1998, and incorporated herein by reference.

EXHIBIT 10.32

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is entered into as of July 17, 2000 by and between Photronics, Inc., a Connecticut corporation (the "Company") and Robert Bollo ("Executive").

WITNESSETH:

WHEREAS, the Company and Executive desire to enter into this Agreement to assure the Company of the continuing service of Executive and to set forth the terms and conditions of Executive's employment with the Company.

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth herein, the parties agree as follows:

1. **TERM.** The Company agrees to employ Executive and Executive hereby accepts such employment, in accordance with the terms of this Agreement, commencing July 17, 2000 and ending October 31, 2003 unless this Agreement is earlier terminated as provided herein (the "Term"); provided, however, that unless the Company or Executive gives written notice to the other party at least 45 days prior to the end of the Term of this Agreement (as may be extended pursuant to this Section), the Term of this Agreement shall automatically be extended for an additional two (2) year term from such date.
2. **SERVICES AND EXCLUSIVITY OF SERVICES.** So long as this Agreement shall continue in effect, Executive shall devote Executive's full business time, energy and ability to the business, affairs and interests of the Company and its affiliates or subsidiaries and matters related thereto. Executive shall use his best efforts and abilities to promote the Company's interests and shall perform the services contemplated by this Agreement in accordance with the Company's policies as established by the Board of Directors of the Company and such policies as may be established by and under the direction of the Company's Chief Executive Officer (the "CEO"). Executive agrees to faithfully and diligently promote the business, affairs and interests of the Company and its affiliates or subsidiaries.

Without the prior express written authorization of the CEO, Executive shall not, directly or indirectly, during the Term of this Agreement: (a) render services to any other person or firm for compensation or (b) engage in any activity whether alone, as a partner, officer, employee or significant investor of or in any other entity. An investment of greater than 5% of the outstanding capital or equity securities of an entity shall be deemed significant for these purposes.

Executive represents to the Company that Executive has no other outstanding commitments inconsistent with any of the terms of this Agreement or the services to be rendered hereunder.

3. DUTIES AND RESPONSIBILITIES. Executive shall serve as Senior Vice President of Finance and Chief Financial Officer of the Company. In the performance of Executive's duties, Executive shall report directly to the CEO and shall be subject solely to the direction of the CEO and to such reasonable limits on Executive's authority as the CEO may from time to time impose. During the Term of this Agreement, the Company shall not reduce materially Executive's duties, authority or responsibilities; provided, however, that the continuation of Executive's primary duties, authority, and responsibilities after a "change of control" of the Company (as such term is defined below) in a larger organization shall not constitute a reduction of Executive's duties, authority or responsibilities for purposes hereof.

In addition to following the directives of the CEO, Executive agrees to observe and comply with the policies, rules and regulations of the Company. The Company agrees that the duties which may be assigned to Executive shall be reasonable, usual and customary duties of the office or position to which Executive will from time to time be appointed or elected and shall not be inconsistent with the provisions of the charter documents of the Company or applicable law. Executive shall have such corporate power and authority as shall reasonably be required to enable Executive to perform the responsibilities and duties required in any office that may be held.

4. COMPENSATION.

(a) BASE COMPENSATION.

During the Term of this Agreement, the Company agrees to pay Executive a base salary at the rate of \$225,000 per year, payable in accordance with the Company's practices in effect from time to time (the "Base Salary"). All payments required hereunder, including the payments required by this Section

4(a), may be allocated by the Company to one or more of its subsidiaries to which Executive renders services but the Company shall remain responsible for all payments hereunder and Executive shall have no obligation to seek payment from such subsidiaries.

(b) PERIODIC REVIEW.

The Compensation Committee of the Board of Directors of the Company shall review Executive's Base Salary and Additional Benefits (as defined below) then being paid to Executive at each annual meeting of the Board of Directors of the Company. The annual meeting of the Board of Directors is customarily the first board meeting held following the end of each fiscal year of the Company. Following such review, the Company may at its sole discretion increase (but shall not be required to increase except as set forth below) the Base Salary or any other benefits, but may not decrease the Base Salary during the time Executive serves as Senior Vice President of Finance and Chief Financial Officer and the level of Executive's Additional Benefits shall be commensurate with those then being provided to the other executive officers of the Company who are "Named Executives" in the Company's annual proxy statement

on Schedule 14A that is filed annually with the Securities and Exchange Commission. At the annual meeting of the Board of Directors following completion of the Company's fiscal year ended October 31, 2000 and at every annual meeting of the Board of Directors thereafter during the Term of this Agreement, Executive's Base Salary shall be increased by an amount no less than the amount obtained by multiplying such previous Base Salary by the percentage increase of the Consumer Price Index, as reported by the Bureau of Labor Statistics of the United States Department of Labor for the State of Connecticut. The amount of such increase combined with the previous year's Base Salary shall then constitute Executive's Base Salary for purposes of this Agreement.

(c) BONUS.

Executive shall be entitled to receive a minimum annual cash bonus for the fiscal year ending October 31, 2000 of \$35,000 and for the fiscal year ended October 31, 2001 of \$65,000. These bonuses shall not preclude the Executive from receiving additional bonus awards as may be granted by the Compensation Committee of the Company from time to time. Each bonus awarded under the provisions of the clause 4(c) shall be paid to the Executive within 30 days of each such date.

(d) STOCK OPTION AWARDS

Following approval of the Compensation Committee of the Board of Directors of the Company, Executive shall receive an option to purchase 75,000 shares of the Company's common stock (NASDAQ: PLAB) to be granted within 15 calendar days of the signing date of this Agreement and a further stock option award to purchase an additional 25,000 shares of the Company's common stock to be granted within 195 calendar days of the signing date of this agreement pursuant to the provision of the Company's Employee Stock Option Plan effective at the time of each of these two stock option awards respectively.

These stock option awards shall not preclude the Executive from receiving additional stock option awards as may be granted by the Compensation Committee of the Company during the Term of this agreement.

(e) LIFE INSURANCE.

During the Term of this Agreement, the Company shall provide the Executive with a life insurance benefit consistent with the Company's policies and provisions applicable to executive officers of the Company who are "Named Executives" in the Company's annual proxy statement on Schedule 14A that is filed annually with the Securities and Exchange Commission.

(f) AUTOMOBILE ALLOWANCE.

During the Term of this Agreement, the Company shall provide the Executive with a Company business automobile use benefit consistent with the Company's policies and provisions applicable to executive officers of the Company who are "Named Executives" in the Company's annual proxy statement on Schedule 14A that is filed annually with the Securities and Exchange Commission.

(g) PERQUISITES.

During the Term of this Agreement, Executive shall be entitled to receive a paid vacation benefit in addition to all holidays of the Company in accordance with the plans, policies, programs and practices as are in effect generally with respect to executive officers of the Company who are "Named Executives" in the Company's annual proxy statement on Schedule 14A that is filed annually with the Securities and Exchange Commission. Executive may not, however, take vacation time of more than ten (10) consecutive working days at any one time from the Company for vacation.

(h) ADDITIONAL BENEFITS.

During the Term of this Agreement, the Company shall provide the Executive with health insurance in addition to all rights and benefits for which Executive is otherwise eligible under any additional bonus plan, incentive, participation or extra compensation plan, stock purchase plan, 401K pension plan, profit-sharing plan, life, medical, dental, disability, or insurance plan or policy, the Company's medical executive reimbursement plan or other plan or benefit that the Company may provide for Senior Vice President(s) or (provided Executive is eligible to participate therein) for executive officers of the Company who are "Named Executives" in the Company's annual proxy statement on Schedule 14A that is filed annually with the Securities and Exchange Commission, as from time to time in effect, during the Term of this Agreement (collectively, "Additional Benefits").

5. TERMINATION. This Agreement and all obligations hereunder (except the obligations contained in Sections 7, 8, 9, 10, 11 and 12 (Confidential Information, Non-Competition, Non-Solicitation of Customers, Non-Interference with Employees, Intellectual Property, and Remedies) which shall survive any termination hereunder) shall terminate upon the earliest to occur of any of the following:

(a) EXPIRATION OF TERM. The expiration of the Term provided for in Section 1 or the voluntary termination by Executive following 45 day's written notice to the Company or retirement from the Company in accordance with the normal retirement policies of the Company.

(b) DEATH OR DISABILITY OF EXECUTIVE. The death or disability of Executive. For the purposes of this Agreement, disability shall mean the absence of Executive performing Executive's duties with the Company on a full-time basis for a period of sixty business days, or for shorter periods aggregating sixty or more business days in any twelve (12)-month period, as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers. If Executive shall become disabled, Executive's employment may be terminated only by written notice from the Company to Executive. If Executive's employment is terminated by reason of Executive's death or disability, this Agreement shall terminate without further obligations to Executive (or Executive's heirs or legal representatives) under this Agreement, other than for (1) payment of the sum of (A) Executive's Base Salary through the date of termination to the extent not theretofore paid, (B) any accrued bonus due to Executive based on a pro rata allocation of such bonus as of the date of termination, (C) any compensation previously deferred by Executive (together with any accrued interest or earnings thereon), and (D) any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (A), (B), (C) and (D) shall be hereinafter referred to as the "Accrued Obligations"), which shall be paid to Executive or Executive's estate or beneficiary, as applicable, in a lump sum in cash within 15 business days after the date of termination or any earlier time required by applicable law; and (2) payment to Executive or Executive's estate or beneficiary, as applicable, of any amount accrued pursuant to the terms of any applicable benefit plan.

(c) TERMINATION FOR CAUSE.

The Company may terminate Executive's employment and all of Executive's rights to receive Salary, bonus and any Additional Benefits hereunder for cause. For purposes of this Agreement, the term "cause" shall be defined as any of the following; provided, however, that the Company must determine the presence of such cause in good faith:

- i. Executive's material breach of one or more of the duties and responsibilities under this Agreement (other than as a result of incapacity due to Executive's disability);
- ii. Executive's conviction by, or entry of a plea of guilty in, a court of competent and final jurisdiction for any felony;
- iii. Executive's commission of an act of fraud upon the Company; or
- iv. Executive's willful failure or refusal to perform Executive's duties or responsibilities under this Agreement or Executive's violation of any duty of loyalty (i.e., engaging in self-interested transactions,

misappropriation of business opportunities that belong to the Company, etc.) to the Company or a breach of Executive's fiduciary duties to the Company.

(d) WITHOUT CAUSE.

Notwithstanding any other provision of this Section 5, the CEO shall have the right to terminate Executive's employment with the Company without cause at any time, but any such termination other than as expressly provided in Section 5(a), (b) or (c) herein shall be without prejudice to Executive's rights to receive any and all remuneration due him as provided for under the terms of this agreement through such termination date. If Executive is so terminated without cause, Executive shall receive from the Company a payment ("Severance Payment ") equal to Executive's Base Salary during the then current fiscal year. The Severance Payment shall be paid by the Company to Executive in twelve equal monthly installments over the twelve-month period of time immediately following such termination, the first of such payments to be paid within ten (10) business days of the date of such termination.

Such payments shall be in lieu of all rights of Executive, including any rights to any Additional Benefits hereunder, all of which shall terminate upon the date of termination.

(e) EXCLUSIVE REMEDY. Executive agrees that the Severance Payment provided and contemplated by this Agreement shall constitute the sole and exclusive obligation of the Company in respect of Executive's employment with and relationship to the Company and that the full payment thereof shall be the sole and exclusive remedy for any termination of Executive's employment. Executive covenants not to assert or pursue any other remedies, at law or in equity, with respect to any termination of employment.

6. BUSINESS EXPENSES. During the Term of this Agreement, to the extent that such expenditures satisfy the criteria under the Internal Revenue Code or other applicable laws for deductibility by the Company (whether or not fully deductible by the Company) for federal income tax purposes as ordinary and necessary business expenses, the Company shall provide the Executive with reimbursement of reasonable business expenses incurred by the Executive while conducting Company business in a manner consistent with the Company's policies and provisions applicable to the Executives of the Company.

7. CONFIDENTIAL INFORMATION. Executive acknowledges that the nature of Executive's engagement by the Company is such that Executive shall have access to information of a confidential and/or trade secret nature which has great value to the Company and which constitutes a substantial basis and foundation upon which the business of the Company is based. Such information includes financial, manufacturing and marketing data, techniques, processes, formulas, developmental or

experimental work, work in process, methods, trade secrets (including, without limitation, customer lists and lists of customer sources), or any other secret or confidential information relating to the products, services, customers, sales or business affairs of the Company or its Affiliates (the "Confidential Information"). Executive shall keep all such Confidential Information in confidence during the Term of this Agreement and at any time thereafter and shall not disclose any of such Confidential Information to any other person, except to the extent such disclosure is (i) necessary to the performance of this Agreement and in furtherance of the Company's best interests, (ii) required by applicable law, (iii) lawfully obtainable from other sources, or (iv) authorized in writing by the Board. Upon termination of Executive's employment with the Company, Executive shall deliver to the Company all documents, records, notebooks, work papers, and all similar material containing any of the foregoing information, whether prepared by Executive, the Company or anyone else.

8. **NON-COMPETITION.** In order to protect the Confidential Information, Executive agrees that during the Term of this Agreement, and for a one-year period following any termination of this Agreement, Executive shall not, directly or indirectly, whether as an owner, partner, shareholder, agent, employee, willful creditor or otherwise, promote, participate or engage in any activity or other business competitive with the Company's business or the business of any affiliate of the Company in all territories in which the Company operates.

9. **NON-SOLICITATION OF CUSTOMERS.** Executive agrees that for a period of one-year after any termination of this Agreement, Executive will not, on behalf of Executive or on behalf of any other individual, association or entity, call on any of the customers of the Company or any affiliate of the Company for the purpose of soliciting or inducing any of such customers to acquire (or providing to any of such customers) any product or service provided by the Company or any affiliate of the Company, nor will Executive in any way, directly or indirectly, as agent or otherwise, in any other manner solicit, influence or encourage such customers to take away or to divert their business to Executive or any other person or entity by or with which Executive is employed, associated, affiliated or otherwise related.

10. **NON-INTERFERENCE WITH EMPLOYEES.** In order to protect the Confidential Information, Executive agrees that during the Term of this Agreement and for a period of one-year following any termination of this Agreement, Executive will not, directly or indirectly, induce or entice any employee of the Company or its affiliates to leave such employment or cause anyone else to leave such employment.

11. **INTELLECTUAL PROPERTY.** Executive has no interest (except as disclosed to the Company) in any inventions, designs, improvements, patents, copyrights and discoveries which are useful in or directly or indirectly related to the business of the Company or to any experimental work carried on by the Company. Except as may be limited by applicable law, all inventions, designs, improvements, patents, copyrights and discoveries conceived by Executive during the Term of this

Agreement which are useful in or directly or indirectly related to the business of the Company or to any experimental work carried on by the Company, shall be the property of the Company. Executive will promptly and fully disclose to the Company all such inventions, designs, improvements, patents, copyrights and discoveries (whether developed individually or with other persons) and will take all steps necessary and reasonably required to assure the Company's ownership thereof and to assist the Company in protecting or defending the Company's proprietary rights therein.

Executive also agrees to assist the Company in obtaining United States or foreign letters patent and copyright registrations covering inventions assigned hereunder to the Company and that Executive's obligation to assist the Company shall continue beyond the termination of Executive's employment but the Company shall compensate Executive at a reasonable rate for time actually spent by Executive at the Company's request with respect to such assistance. If the Company is unable because of Executive's mental or physical incapacity or for any other reason to secure Executive's signature to apply for or to pursue any application for any United States or foreign letters patent or copyright registrations covering inventions assigned to the Company, then Executive hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as Executive's agent and attorney-in-fact to act for and in Executive's behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent or copyright registrations thereon with the same legal force and effect as if executed by Executive. Executive hereby waives and quitclaims to the Company any and all claims, of any nature whatsoever, which Executive now or hereafter may have for infringement of any patent or copyright resulting from any such application for letters patent or copyright registrations assigned hereunder to the Company. Executive will further assist the Company in every way to enforce any copyrights or patents obtained including, without limitation, testifying in any suit or proceeding involving any of the copyrights or patents or executing any documents deemed necessary by the Company, all without further consideration but at the expense of the Company. If Executive is called upon to render such assistance after the termination of Executive's employment, then Executive shall be entitled to a fair and reasonable per diem fee in addition to reimbursement of any expenses incurred at the request of the Company.

12. REMEDIES. The parties hereto agree that the services to be rendered by Executive pursuant to this Agreement, and the rights and privileges granted to the Company pursuant to this Agreement, are of a special, unique, extraordinary and intellectual character, which gives them a peculiar value, the loss of which cannot be reasonably or adequately compensated in damages in any action at law, and that a breach by Executive of any of the terms of this Agreement will cause the Company great and irreparable injury and damage. Executive hereby expressly agrees that the Company shall be entitled to the remedies of injunction, specific performance and other equitable relief to prevent a breach of this Agreement by Executive. This

Section 12 shall not be construed as a waiver of any other rights or remedies which the Company may have for damages or otherwise.

13. SEVERABILITY. If any provision of this Agreement is held to be unenforceable for any reason, it shall be adjusted rather than voided, if possible, to achieve the intent of the parties to the extent possible. In any event, all other provisions of this Agreement shall be deemed valid and enforceable to the extent possible.

14. SUCCESSION. This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns and any such successor or assignee shall be deemed substituted for the Company under the terms of this Agreement for all purposes. As used herein, "successor" and "assignee" shall include any person, firm, corporation or other business entity which at any time, whether by purchase, merger or otherwise, directly or indirectly acquires the stock of the Company or to which the Company assigns this Agreement by operation of law or otherwise. The obligations and duties of Executive hereunder are personal and otherwise not assignable. Executive's obligations and representations under this Agreement will survive the termination of Executive's employment, regardless of the manner of such termination.

15. CHANGE OF CONTROL.

(a) For purposes of the Agreement, a "change of control" means, and shall be deemed to have taken place, if: (I) any person or entity or group of affiliated persons or entities, including a group which is deemed a "person" by Section 3(d)(3) of the Securities Exchange Act of 1934, as amended, acquires in one or more transactions, ownership of fifty percent (50%) or more of the outstanding capital stock of the Company.

(b) In the event Executive is terminated by the Company for any reason (other than for Cause as defined in Section 5.1 thereof), during the first twelve (12) months following a change in control of the Company (or any successor), Executive shall be entitled to receive the greater of (i) the total Severance Payment to which Executive may be entitled under section 5(d) hereof, or (ii) a lump sum payment of \$250,000 (the "Change of Control Payment"). In no event shall Executive be entitled to receive both the Severance Payment described in Section 5(d) hereof and the Change of Control payment described in this Section 15(b).

(c) Any payments to be made to Executive in connection with this Section 15 shall be made within ten (10) business days after the date of the Executive's termination under Section 15(b).

16. NOTICES. Any notice or other communication provided for in this Agreement shall be in writing and sent if to the Company to its principal office at:

Photronics, Inc.
24 Stony Hill Road
Bethel, CT 06801
Attention: Chief Executive Officer

or at such other address as the Company may from time to time in writing designate, and if to Executive at the address set forth on the signature page hereof or at such address as Executive may from time to time in writing designate. Each such notice or other communication shall be effective (I) if given by written telecommunication, three (3) days after its transmission to the applicable number so specified in (or pursuant to) this Section 16 and a verification of receipt is received, (ii) if given by certified mail, once verification of receipt is received, or (iii) if given by any other means, when actually delivered to the addressee at such address and verification of receipt is received.

17. ENTIRE AGREEMENT. This Agreement contains the entire agreement of the parties relating to the subject matter hereof and supersedes any prior agreements, undertakings, commitments and practices relating to Executive's employment by the Company.

18. AMENDMENTS. No amendment or modification of the terms of this Agreement shall be valid unless made in writing, duly executed by both parties.

19. WAIVER. No failure on the part of any party to exercise or delay in exercising any right hereunder shall be deemed a waiver thereof or of any other right, nor shall any single or partial exercise preclude any further or other exercise of such right or any other right.

20. GOVERNING LAW. This Agreement, and the legal relations between the parties, shall be governed by and construed in accordance with the laws of the State of Connecticut without regard to conflicts of law doctrines and any court action arising out of this Agreement shall be brought in any court of competent jurisdiction within the State of Connecticut.

21. ATTORNEYS' FEES. If any litigation shall occur between Executive and the Company which litigation arises out of or as a result of this Agreement or the acts of the parties hereto pursuant to this Agreement, or which seeks an interpretation of this Agreement, the prevailing party shall be entitled to recover all costs and expenses of such litigation, including reasonable attorneys' fees and costs.

22. WITHHOLDING. All compensation payable hereunder, including salary and other benefits, shall be subject to applicable taxes, withholding and other required, normal or elected employee deductions.

23. COUNTERPARTS. This Agreement and any amendment hereto may be executed in one or more counterparts. All of such counterparts shall constitute one and the same agreement and shall become effective when a copy signed by each party has been delivered to the other party.

24. HEADINGS. Section and other headings contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement to be effective as of July 17, 2000.

THE COMPANY

**PHOTRONICS, INC.,
A CONNECTICUT CORPORATION**

By: Constantine Macricostas Its: Chairman and CEO

By: James L. MacDonald Its: President

EXECUTIVE

Robert Bollo

Exhibit 10.33

**EMPLOYMENT AGREEMENT BETWEEN THE COMPANY
AND MICHAEL J. YOMAZZO**

December 10, 1998

Michael J. Yomazzo
500 Ocean Trail Way
Unit #905
Jupiter, Florida 33477

Dear Mike:

This letter is to confirm our discussions regarding your change in responsibilities at Photronics, Inc. (the "Company") and your ongoing compensation.

We have agreed as follows:

- 1) VICE CHAIRMAN Effective January 1, 1999, you will assume the office of Vice Chairman of the Board of Directors and be a member of the office of the CEO. This is a part-time position. We expect that you will be available to devote approximately five (5) business days per month to this position. In this position, you will, as directed by the office of the CEO of the Company, be involved in various strategic and financial interests of the Company, such as possible acquisitions, customer relationships and financial presentations. The actual duties will be defined on an ongoing basis.
- 2) TERM This position is of an indeterminate length of time and can be terminated at any time.
- 3) COMPENSATION Your salary will be adjusted effective January 1, 1999 to \$6,442.30 bi-weekly (the equivalent of \$167,500 annually) which will be subject to our published 10% salary reduction resulting in a salary of \$5798.07 bi-weekly (the equivalent of \$150,750 annually). During your service as Vice Chairman, payment under our supplemental life insurance arrangement will continue.
- 4) SEVERANCE You agree to waive any claim that this change in responsibilities might entitle you to any payments under the severance arrangement, dated January 17, 1990 as amended on February 4, 1994, we have with you and such agreement will no longer be of any force and effect.

5) OPTIONS As a continuing employee of the Company, your options will continue. However, you have agreed to surrender and cancel the following options:

60,000 PERFORMANCE-BASED OPTIONS GRANTED ON 12/11/98 WHICH HAVE NOT YET VESTED (THE REMAINING 40,000 OPTIONS UNDER THIS GRANT WHICH HAVE VESTED WILL REMAIN IN PLACE)

6) RETIREMENT You can retire at any time. At the time of retirement, the provisions of the attached Consulting Agreement, dated October 10, 1997, will apply except as follows:

THE PERIOD OF CONSULTING AND THE CONSULTING FEES SHALL BE THREE (3) YEARS AND \$125,000 PER ANNUM.

THE PROVISIONS OF OUR SUPPLEMENTAL LIFE INSURANCE ARRANGEMENT WILL ALSO APPLY.

7) BONUS Since you service as CEO during the entire 1998 fiscal year, you will continue to be eligible for any bonus that may be declared for that year.

8) OTHER BENEFITS You will continue to be eligible, on the same terms as full-time domestic employees of the Company, for medical, 401 (k), dental, stock purchase and other similar benefits. The post employment medical benefits covered by paragraph 7 of the attached letter to you dated October 7, 1997 will continue to apply. The supplemental medical benefit, estate and financial planning assistance and provision of a company car will continue during your tenure as Vice Chairman.

I believe the foregoing accurately sets forth our understanding. If you agree with the presentation herein, please so indicate by signing below and returning one copy to my attention.

Mike, you have been an important part of Photronics' success and we look to you for your continuing counsel. Our relationship has been extremely rewarding for both of us and hope that you enjoy your future role with the Company.

Very truly yours,

Jeffrey P. Moonan Senior Vice President

Accepted and Agreed

Michael J. Yomazzo

Exhibit 21

LIST OF SUBSIDIARIES

Name	State of Jurisdiction of Incorporation
D2W, Inc	California
Photronics International Engineering, Inc.	Virgin Islands
Photronics California, Inc.	California
Photronics Texas, Inc.	Texas
Photronics Financial Services, Inc.	Florida
Photronics Investment Services, Inc.	Nevada
Beta Squared, Inc.	Connecticut
PLI Management Corp.	Florida
Photronics Singapore Pte Ltd.	Singapore
Photronics (UK) Limited	England
Photronics Connecticut, Inc.	Connecticut
Photronics Colorado, Inc.	Colorado
Photronics, S.A	Switzerland
Chip Canal Associates, Ltd.	England
Photronics Germany GmbH & Co. KG	Germany
Photronics MZD Verwaltungs GmbH	Germany
Photronics MZD GmbH	Germany
Photronics Arizona, Inc.	Arizona
Photronics Oregon, Inc.	Oregon
Photronics Texas I, L.P.	Texas
Photronics Texas II, L.P.	Texas

Beta Squared I, L.P.	Texas
Photronics Texas I, LLC	Delaware
Photronics Texas II, LLC	Delaware
Beta Squared I, LLC	Delaware
Photronics Scholarship Foundation, Inc.	Connecticut
PSMC	Taiwan
Align-Rite International, Inc.	California
Align-Rite Corporation	California
Align-Rite, Inc.	Florida
Align-Rite International, LTD	England
Align-Rite, B.V	Netherlands
Align-Rite GmbH	Germany

Exhibit 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements Nos. 333-02245, 333-50809, 33-17530, 33-17405, 33-28118, 33-47446, 33-78102 and 333-42010 of Photronics, Inc. on Form S-8 of our report dated December 6, 2000, appearing in this Annual Report on Form 10-K of Photronics, Inc. for the year ended October 31, 2000.

/s/ Deloitte & Touche LLP

*Deloitte & Touche LLP
Hartford, Connecticut*

January 25, 2001

Exhibit 23.2

CONSENT OF INDEPENDENT ACCOUNTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-02245, 333-50809, 33-17530, 33-17405, 33-28118, 33-47446, 33-78102 and 333-42010) of Photronics, Inc. of our report dated May 28, 1998, relating to the financial statements of Align-Rite International, Inc. and subsidiaries appearing in this Annual Report on Form 10-K of Photronics, Inc. for the year ended October 31, 2000.

/s/PricewaterhouseCoopers LLP

*PricewaterhouseCoopers LLP
Los Angeles, California*

January 25, 2001

End of Filing

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