

PHOTRONICS INC
Form 10-Q
June 06, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended May 4, 2014

OR

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

For the transition period from ___ to ___

Commission file number 0-15451

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

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

15 Secor Road, Brookfield, Connecticut 06804
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (203) 775-9000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company

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

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

Class	Outstanding at May 31, 2014
Common Stock, \$0.01 par value	61,690,070 Shares

Forward-Looking Statements

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

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AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PHOTRONICS, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(in thousands, except per share amounts)

(unaudited)

	May 4, 2014	November 3, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 191,828	\$ 215,615
Accounts receivable, net of allowance of \$2,621 in 2014 and \$3,541 in 2013	97,654	73,357
Inventories	21,923	18,849
Other current assets	29,406	10,645
Total current assets	340,811	318,466
Property, plant and equipment, net	534,065	422,740
Investment in joint venture	93,085	93,124
Intangible assets, net	32,767	34,080
Deferred income taxes	12,134	12,455
Other assets	8,148	5,064
Total assets	\$ 1,021,010	\$ 885,929
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term borrowings	\$ 10,231	\$ 11,818
Accounts payable	82,673	68,421
Accrued liabilities	38,501	24,348
Total current liabilities	131,405	104,587
Long-term borrowings	158,691	182,203
Other liabilities	21,175	11,308
Total liabilities	311,271	298,098
Commitments and contingencies		
Equity:		
Preferred stock, \$0.01 par value, 2,000 shares authorized, none issued and outstanding	-	-
Common stock, \$0.01 par value, 150,000 shares authorized, 61,408 shares issued and outstanding at May 4, 2014 and 61,083 shares issued and outstanding at November 3, 2013	614	611
Additional paid-in capital	495,516	498,861
Retained earnings	76,972	59,439
Accumulated other comprehensive income	30,019	26,403

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Total Photronics, Inc. shareholders' equity	603,121	585,314
Noncontrolling interests	106,618	2,517
Total equity	709,739	587,831
Total liabilities and equity	\$1,021,010	\$885,929

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended		Six Months Ended	
	May 4, 2014	April 28, 2013	May 4, 2014	April 28, 2013
Net sales	\$104,882	\$106,680	\$206,424	\$206,519
Costs and expenses:				
Cost of sales	(82,692)	(81,891)	(161,352)	(160,632)
Selling, general and administrative	(13,419)	(12,151)	(25,697)	(23,218)
Research and development	(5,939)	(4,556)	(10,913)	(9,395)
Operating income	2,832	8,082	8,462	13,274
Other income (expense):				
Gain on acquisition	16,372	-	16,372	-
Interest expense	(1,816)	(1,909)	(3,800)	(3,796)
Interest and other income (expense), net	594	993	1,705	2,289
Income before income tax provision	17,982	7,166	22,739	11,767
Income tax provision	(2,032)	(1,724)	(4,747)	(3,466)
Net income	15,950	5,442	17,992	8,301
Net income attributable to noncontrolling interests	(410)	(579)	(459)	(1,114)
Net income attributable to Photronics, Inc. shareholders	\$15,540	\$4,863	\$17,533	\$7,187
Earnings per share:				
Basic	\$0.25	\$0.08	\$0.29	\$0.12
Diluted	\$0.22	\$0.08	\$0.27	\$0.12
Weighted-average number of common shares outstanding:				
Basic	61,372	60,493	61,286	60,385
Diluted	77,705	61,501	77,632	61,298

See accompanying notes to condensed consolidated financial statements.

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PHOTRONICS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income (Loss)

(in thousands)

(unaudited)

	Three Months Ended		Six Months Ended	
	May 4, 2014	April 28, 2013	May 4, 2014	April 28, 2013
Net income	\$15,950	\$5,442	\$17,992	\$8,301
Other comprehensive income (loss), net of tax of \$0:				
Foreign currency translation adjustments	11,630	(13,104)	3,106	(4,963)
Amortization of cash flow hedge	32	32	64	64
Other	-	14	-	10
Total other comprehensive income (loss)	11,662	(13,058)	3,170	(4,889)
Comprehensive income (loss)	27,612	(7,616)	21,162	3,412
Less: comprehensive income (loss) attributable to noncontrolling interests	443	(82)	411	682
Comprehensive income (loss) attributable to Photronics, Inc. shareholders	\$27,169	\$(7,534)	\$20,751	\$2,730

See accompanying notes to condensed consolidated financial statements.

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

	Six Months Ended	
	May 4, 2014	April 28, 2013
Cash flows from operating activities:		
Net income	\$ 17,992	\$ 8,301
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	36,782	37,490
Gain on acquisition	(16,372)	-
Changes in assets and liabilities:		
Accounts receivable	3,552	(8,086)
Inventories	(1,676)	(1,063)
Other current assets	3,144	(1,572)
Accounts payable, accrued liabilities and other	(3,523)	864
Net cash provided by operating activities	39,899	35,934
Cash flows from investing activities:		
Purchases of property, plant and equipment	(42,385)	(31,866)
Cash from acquisition	4,508	-
Other	(910)	(2,822)
Net cash used in investing activities	(38,787)	(34,688)
Cash flows from financing activities:		
Repayments of long-term borrowings	(25,100)	(3,319)
Repurchase of common stock by subsidiary	-	(4,190)
Payments of deferred financing fees	(309)	(40)
Proceeds from share-based arrangements	888	588
Other	(543)	-
Net cash used in financing activities	(25,064)	(6,961)
Effect of exchange rate changes on cash and cash equivalents	165	(1,776)
Net increase (decrease) in cash and cash equivalents	(23,787)	(7,491)
Cash and cash equivalents at beginning of period	215,615	218,043
Cash and cash equivalents at end of period	\$ 191,828	\$ 210,552
Supplemental disclosure of noncash information:		
Accrual for property, plant and equipment purchased during the period	\$(15,118)	\$(32,502)
Noncash net assets from acquisition	\$ 110,211	-

See accompanying notes to condensed consolidated financial statements.

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PHOTRONICS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

Three Months and Six Months Ended May 4, 2014 and April 28, 2013

(unaudited)

(in thousands, except share amounts)

NOTE 1 - BASIS OF FINANCIAL STATEMENT PRESENTATION

Photronics, Inc. and its subsidiaries ("Photronics" or "the Company") is one of the world's leading manufacturers of photomasks, which are high precision photographic quartz plates containing microscopic images of electronic circuits. Photomasks are a key element in the manufacture of semiconductors and flat panel displays ("FPDs"), and are used as masters to transfer circuit patterns onto semiconductor wafers and flat panel substrates during the fabrication of integrated circuits ("ICs") and a variety of FPDs and, to a lesser extent, other types of electrical and optical components. The Company currently operates principally from nine manufacturing facilities, two of which are located in Europe, three in Taiwan, one in Korea, and three in the United States.

On April 4, 2014, DNP Photomask Technology Taiwan Co., Ltd. ("DPTT"), a wholly owned subsidiary of Dai Nippon Printing Co., Ltd. ("DNP"), merged into Photronics Semiconductor Mask Corporation ("PSMC"), a wholly owned subsidiary of Photronics. All of the assets and liabilities of DPTT existing prior to the merger were assumed by the renamed surviving entity of the merger, Photronics DNP Mask Corporation ("PDMC"). Photronics and DNP own 50.01 percent and 49.99 percent of PDMC, respectively, and the results of DPTT are included in the condensed consolidated financial statements since the date of the acquisition.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for annual financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the interim period are not necessarily indicative of the results that may be expected for the fiscal year ending November 2, 2014. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended November 3, 2013.

NOTE 2 – ACQUISITION OF DNP PHOTOMASK TECHNOLOGY TAIWAN CO., LTD.

On April 4, 2014, DPTT merged into PSMC, the Company's IC manufacturing subsidiary located in Taiwan, to form PDMC. Throughout this report the merger of DPTT into PSMC is referred to as the "DPTT Acquisition." In connection with the DPTT Acquisition, the Company transferred consideration with a fair value of \$41.0 million. The Company owns 50.01 percent of PDMC and includes its financial results in its consolidated financial statements, while DNP owns the remaining 49.99 percent of PDMC. The DPTT Acquisition was the result of the Company's desire to combine the strengths in logic and memory photomask technologies of PSMC and DPTT in order to enhance its capability with customers in the region.

The DPTT Acquisition met the conditions of a business combination as defined by Accounting Standards Codification ("ASC") 805 and, as such, is accounted for under ASC 805 using the acquisition method of accounting. ASC 805 defines the three elements of a business as Input, Process and Output. As a result of the DPTT Acquisition, Photronics acquired the machinery and equipment utilized in the processes to manufacture product, the building that houses the entire operation and the processes needed to manufacture the product, all previously owned by DPTT. The former DPTT employees hired by Photronics in connection with the acquisition brought with them the skills, experience and know-how necessary to provide the operational processes that, when applied to the acquired assets, represent

processes being applied to inputs to create outputs. Having met all three elements of a business as defined in ASC 805, the Company determined that the DPTT Acquisition should be accounted for as a business acquisition.

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The following table summarizes the provisional fair values of assets acquired and liabilities assumed of DPTT, the fair value of the noncontrolling interests and consideration for DPTT at the acquisition date. These provisional amounts could change as a result of the ultimate realization of the acquired net working capital.

Cash and cash equivalents	\$4,508
Accounts receivable (gross amount of \$28,560, of which \$500 is expected to be uncollectable)	28,060
Inventory	1,279
Deferred tax asset	9,787
Other current assets	11,517
Property, plant and equipment	95,431
Identifiable intangible assets	1,552
Other long-term assets	1,328
Accounts payable and accrued expenses	(32,410)
Deferred tax liability	(3,042)
Other long-term liabilities	(3,291)
Total net assets acquired	114,719
Noncontrolling interests retained by DNP	57,348
	57,371
Consideration – 49.99% of fair value of PSMC	40,999
Gain on acquisition	\$16,372

In addition to recording the fair values of the net assets acquired, the Company also recorded a gain on acquisition of \$16.4 million in the condensed consolidated statement of income within other income (expense) in accordance with ASC 805 using the acquisition method of accounting. The gain on acquisition was primarily due to the difference between the market values of the acquired real estate and personal property exceeding the fair value of the consideration transferred. In addition, a deferred tax liability of \$3.0 million was recorded in the opening balance sheet, which had the effect of reducing the gain on acquisition to \$16.4 million. Prior to recording the gain, the Company reassessed whether it had correctly identified all of the assets acquired and all of the liabilities assumed. Additionally, the Company also reviewed the procedures used to measure the amounts of the identifiable assets acquired, liabilities assumed and consideration transferred.

The fair value of the consideration represents 49.99 percent of the fair value of PSMC, and is based on recent prices paid by the Company to acquire outstanding shares of PSMC (prior to the acquisition). As a result of the merger, the Company acquired the net assets of DPTT having a fair value of \$114.7 million, less noncontrolling interests of \$57.3 million retained by DNP, and transferred consideration with a fair value of \$41.0 million, resulting in a gain of \$16.4 million.

The acquisition date fair value of the property, plant and equipment of DPTT was \$95.4 million, which was determined by utilizing the cost and, to a lesser extent, the market approach, based on an in-use premise of value. This fair value measurement is based on significant inputs that are not observable in the market and thus represents a fair value measurement categorized within Level 3 of the fair value hierarchy. Key assumptions include local and current construction replacement cost multipliers, amounts of ancillary replacement costs, physical deterioration, and economic and functional obsolescence to adjust the current replacement costs by, as well as the estimated economic lives of the assets.

Identifiable intangible assets acquired were primarily customer relationships, which represent the fair value of relationships and agreements DPTT had in place at the date of the merger, and had a fair value of \$1.5 million at the acquisition date determined by using the multi-period excess earnings method and a twelve year estimated amortization period. The acquisition date fair value of the remainder of the identifiable assets acquired and liabilities assumed were equivalent to, or did not materially differ from their carrying values.

Acquisition costs related to the merger were \$2.0 million and \$2.5 million for the three and six month periods ended May 4, 2014, and are included in selling, general and administrative expense in the condensed consolidated statements of income.

Revenues and net income of PDMC included in the Company's financial results from the April 4, 2014 acquisition date through May 4, 2014, are \$13.1 million and \$0.4 million respectively.

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On a pro forma basis, revenues, earnings and earnings per share of Photronics, Inc. and subsidiaries, calculated as though the merger had occurred as of the beginning of the earliest period presented, for the three and six month periods ended May 4, 2014 and April 28, 2013, are presented below. The pro forma earnings for the three and six month periods ended May 4, 2014, were adjusted to exclude \$2.0 million and \$2.5 million of the above mentioned nonrecurring acquisition related costs and the gain on acquisition of \$16.4 million. Other material nonrecurring pro forma adjustments made to arrive at the below earnings amounts included the add back of additional depreciation recorded against DPTT long-lived assets of \$3.4 million and \$3.3 million for the three month periods ended May 4, 2014 and April 28, 2013, respectively, and \$6.6 million and \$6.4 million for the six month periods ended May 4, 2014 and April 28, 2013, respectively. The pro forma information presented does not purport to represent results that would have been achieved had the merger occurred as of the beginning of the earliest period presented, or to be indicative of the Company's future financial performance.

	Three Months Ended		Six Months Ended	
	May 4, 2014	April 28, 2013	May 4, 2014	April 28, 2013
Revenues	\$124,030	\$126,535	\$250,865	\$252,381
Net income	\$3,499	\$9,297	\$9,926	\$17,470
Net income attributable to Photronics, Inc. shareholders	\$1,047	\$6,210	\$3,706	\$10,668
Diluted earnings per share	\$0.02	\$0.10	\$0.06	\$0.17

NOTE 3 - CHANGES IN EQUITY

The following tables set forth the Company's consolidated changes in equity for the three and six month periods ended May 4, 2014 and April 28, 2013:

	Three Months Ended May 4, 2014						
	Photronics, Inc. Shareholders						
	Common Stock Shares	Additional Paid-in Amount	Retained Earnings Capital	Accumulated Other Comprehensive Income	Non- controlling Interests	Total Equity	
Balance at February 3, 2014	61,325	\$ 613	\$500,409	\$ 61,432	\$ 17,980	\$ 770	\$581,204
Net income	-	-	-	15,540	-	410	15,950
Other comprehensive income	-	-	-	-	11,628	34	11,662
Sale of common stock through employee stock option and purchase plans	66	1	282	-	-	-	283
Restricted stock awards vesting and expense	17	-	356	-	-	-	356
Share-based compensation expense	-	-	687	-	-	-	687
Acquisition of DPTT	-	-	(6,291)	-	412	105,404	99,525
Redemption of common stock by subsidiary	-	-	73	-	(1)	-	72

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Balance at May 4, 2014	61,408	\$ 614	\$495,516	\$76,972	\$ 30,019	\$ 106,618	\$709,739
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Three Months Ended April 28, 2013
Photronics, Inc. Shareholders

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Non- controlling Interests	Total Equity
Balance at January 28, 2013	60,362	\$ 603	\$ 494,984	\$ 43,797	\$ 23,812	\$ 30,645	\$ 593,841
Net income	-	-	-	4,863	-	579	5,442
Other comprehensive loss	-	-	-	-	(12,396)	(662)	(13,058)
Sale of common stock through employee stock option and purchase plans	212	2	281	-	-	-	283
Restricted stock awards vesting and expense	24	1	340	-	-	-	341
Share-based compensation expense	-	-	599	-	-	-	599
Balance at April 28, 2013	60,598	\$ 606	\$ 496,204	\$ 48,660	\$ 11,416	\$ 30,562	\$ 587,448

Six Months Ended May 4, 2014
Photronics, Inc. Shareholders

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Non- controlling Interests	Total Equity
Balance at November 4, 2013	61,083	\$ 611	\$ 498,861	\$ 59,439	\$ 26,403	\$ 2,517	\$ 587,831
Net income	-	-	-	17,533	-	459	17,992
Other comprehensive income (loss)	-	-	-	-	3,217	(47)	3,170
Sale of common stock through employee stock option and purchase plans	196	2	690	-	-	-	692
Restricted stock awards vesting and expense	129	1	564	-	-	-	565
Share-based compensation expense	-	-	1,583	-	-	-	1,583
Acquisition of DPTT	-	-	(6,291)	-	412	105,404	99,525
Redemption of common stock by subsidiary	-	-	109	-	(13)	(1,715)	(1,619)
Balance at May 4, 2014	61,408	\$ 614	\$ 495,516	\$ 76,972	\$ 30,019	\$ 106,618	\$ 709,739

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Photronics, Inc. Shareholders

	Common Stock Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Non- controlling Interests	Total Equity
Balance at October 29, 2012	60,213	\$ 602	\$ 493,411	\$ 41,473	\$ 15,900	\$ 34,615	\$ 586,001
Net income	-	-	-	7,187	-	1,114	8,301
Other comprehensive loss	-	-	-	-	(4,457)	(432)	(4,889)
Sale of common stock through employee stock option and purchase plans	289	3	390	-	-	-	393
Restricted stock awards vesting and expense	96	1	610	-	-	-	611
Share-based compensation expense	-	-	1,214	-	-	-	1,214
Repurchase of common stock by subsidiary	-	-	579	-	(27)	(4,735)	(4,183)
Balance at April 28, 2013	60,598	\$ 606	\$ 496,204	\$ 48,660	\$ 11,416	\$ 30,562	\$ 587,448

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

	May 4, 2014	November 3, 2013
Land	\$8,797	\$8,692
Buildings and improvements	128,766	103,676
Machinery and equipment	1,354,470	1,225,091
Leasehold improvements	20,309	4,179
Furniture, fixtures and office equipment	12,196	11,546
Construction in progress	67,603	97,319
	1,592,141	1,450,503
Less accumulated depreciation and amortization	1,058,076	1,027,763
	\$534,065	\$422,740

Equipment under capital leases are included in above property, plant and equipment as follows:

	May 4, 2014	November 3, 2013
Machinery and equipment	\$56,245	\$ 21,327
Construction in progress	-	34,918
	56,245	56,245
Less accumulated amortization	7,618	4,932

\$48,627 \$ 51,313

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Depreciation expense for property, plant and equipment (excluding equipment under capital leases) was \$15.7 million and \$30.4 million for the three and six month periods ended May 4, 2014, respectively, and \$16.1 million and \$33.1 million for the three and six month periods ended April 28, 2013, respectively. Amortization expense for equipment under capital leases was \$1.4 million and \$2.7 million for the three and six month periods ended May 4, 2014, respectively, and \$0.5 million and \$1.0 million for the three and six month periods ended April 28, 2013, respectively.

NOTE 5 - JOINT VENTURE, TECHNOLOGY LICENSE AND OTHER AGREEMENTS WITH MICRON TECHNOLOGY, INC.

In May 2006, Photronics and Micron Technology, Inc. ("Micron") entered into the MP Mask joint venture ("MP Mask"), which develops and produces photomasks for leading-edge and advanced next generation semiconductors. At the time of the formation of the joint venture, the Company also entered into both an agreement to license photomask technology developed by Micron and certain supply agreements.

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

The Company has utilized MP Mask for both high-end IC photomask production and research and development purposes. MP Mask charges its variable interest holders based on their actual usage of its facility. MP Mask separately charges for any research and development activities it engages in at the requests of its owners. The Company recorded cost of sales of \$0.9 million and \$1.9 million and research and development expenses of \$0.2 million and \$0.5 million during the three and six month periods ended May 4, 2014. Cost of sales of \$3.5 million and \$5.4 million and research and development expenses of \$0.2 million and \$0.5 million were recorded during the three and six month periods ended April 28, 2013. As of May 4, 2014 and November 3, 2013, the Company owed MP Mask \$4.9 million and \$4.5 million, respectively, and had a receivable from Micron of \$6.4 million and \$4.9 million, respectively, both primarily related to the aforementioned supply agreements.

MP Mask is governed by a Board of Managers, appointed by Micron and the Company. Since MP Mask's inception, Micron, as a result of its majority ownership, has held majority voting power on the Board of Managers. The voting power held by each party is subject to change as ownership interests change. Under the MP Mask joint venture operating agreement, the Company may be required to make additional capital contributions to MP Mask up to the maximum amount defined in the operating agreement. However, should the Board of Managers determine that further additional funding is required, MP Mask shall pursue its own financing. If MP Mask is unable to obtain its own financing, it may request additional capital contributions from the Company. Should the Company choose not to make a requested contribution to MP Mask, its ownership percentage may be reduced.

The Company's investment in the VIE, which represents its maximum exposure to loss, was \$93.1 million at May 4, 2014 and November 3, 2013. These amounts are reported in the Company's condensed consolidated balance sheets as "Investment in joint venture". The Company recorded a loss from its investment in the VIE of \$0.2 million in the six month period ended April 28, 2013, and recorded no income from its investment in the three month period ended April 28, 2013, or in the three or six month periods ended May 4, 2014. Income from the VIE is included in "Interest and other income (expense), net" in the condensed consolidated statements of income.

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NOTE 6 - LONG-TERM BORROWINGS

Long-term borrowings consist of the following:

	May 4, 2014	November 3, 2013
3.25% convertible senior notes due in April 2016	\$ 115,000	\$ 115,000
2.77% capital lease obligation payable through July 2018	22,996	25,065
5.50% convertible senior notes due in October 2014	22,054	22,054
3.09% capital lease obligation payable through March 2016	8,872	10,652
Term loan, which bore interest at a variable rate, as defined, repaid in December 2013	-	21,250
	168,922	194,021
Less current portion	10,231	11,818
	\$ 158,691	\$ 182,203

In December 2013 the Company amended its credit facility, increasing its limit to \$50 million with an expansion capacity to \$75 million, and extending its term to December 2018. Simultaneously, the Company repaid its \$21.3 million term loan. The interest rate spread on borrowings has been reduced and the minimum fixed charge ratio has been replaced with a minimum interest coverage ratio under the terms of the amended credit facility which, in addition, increased the investment baskets (as defined in the credit facility) and continues to include total leverage ratio and minimum unrestricted cash balance covenants. The credit facility bears interest (1.94 percent at May 4, 2014) based on the Company's total leverage ratio, at LIBOR plus a spread, as defined in the credit facility. As of May 4, 2014, the Company had no outstanding borrowings under the credit facility and \$50 million was available for borrowing. The credit facility is secured by substantially all of the Company's assets located in the United States, as well as common stock the Company owns in certain of its foreign subsidiaries.

In August 2013 a \$26.4 million principal amount, five year capital lease commenced to fund the purchase of a high-end lithography tool. Payments under the capital lease, which bears interest at 2.77 percent, are \$0.5 million per month through July 2018. Under the terms of the lease agreement, the Company must maintain the equipment in good working order, and is subject to a cross default with cross acceleration provision related to certain nonfinancial covenants incorporated in its credit facility. As of May 4, 2014, the total amount payable through the end of the lease term was \$24.4 million, of which \$23.0 million represented principal and \$1.4 million represented interest.

In March 2012 the Company, in connection with its purchase of the U.S. nanoFab facility, amended its credit facility ("the credit facility") to include the addition of a \$25 million term loan that was to mature in March 2017. In December 2013, simultaneous with the amendment of its credit facility discussed above, the Company repaid the \$21.3 million balance of this term loan that was outstanding at November 3, 2013.

In March 2011 the Company issued through a private offering pursuant to Rule 144A under the Securities Act of 1933, as amended, \$115 million aggregate principal amount of 3.25% convertible senior notes. The notes mature on April 1, 2016, and note holders may convert each \$1,000 principal amount of notes to approximately 96 shares of common stock (equivalent to an initial conversion price of \$10.37 per share of common stock) at any time prior to the close of business on the second scheduled trading day immediately preceding April 1, 2016. The conversion rate is subject to adjustment upon the occurrence of certain events, which are described in the indenture dated March 28,

2011. The Company is not required to redeem the notes prior to their maturity date. Interest on the notes accrues in arrears, and is paid semiannually through the notes' maturity date. The net proceeds of the notes were approximately \$110.7 million, which were used, in part, to acquire \$35.4 million of the Company's 5.5% convertible senior notes which were to mature on October 1, 2014, and to repay, in full, its then outstanding obligations under capital leases of \$19.8 million.

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In September 2009 the Company issued, through a public offering, \$57.5 million aggregate principal amount of 5.5% convertible senior notes, which were to mature on October 1, 2014. Under the terms of the offering, the note holders could convert each \$1,000 principal amount of notes to approximately 197 shares of common stock (equivalent to an initial conversion price of \$5.08 per share of common stock) on, or before, September 30, 2014. The conversion rate is subject to adjustment upon the occurrence of certain events which are described in the indenture dated September 16, 2009. The Company is not required to redeem the notes prior to their maturity. The net proceeds of this offering were approximately \$54.9 million, which were used to reduce amounts outstanding under the Company's credit facility. As discussed above, \$35.4 million aggregate principal amount of these notes were acquired by the Company during fiscal 2011. The Company intends to repay the remaining outstanding 5.5% convertible senior notes due in October 2014 with borrowings against its credit facility and, therefore, has classified as long-term the entire \$22.1 million of those notes that were outstanding as of May 4, 2014.

In April 2011 the Company entered into a five year, \$21.2 million capital lease for manufacturing equipment. Payments under the lease, which bears interest at 3.09 percent, are \$0.4 million per month through March 2016. The lease agreement provides that the Company must maintain the equipment in good working order, and includes a cross default with cross acceleration provision related to certain non-financial covenants incorporated in the Company's credit facility agreement. As of May 4, 2014, the total amount payable through the end of the lease term was \$9.2 million, of which \$8.9 million represented principal and \$0.3 million represented interest.

NOTE 7 - COMMON STOCK WARRANTS

In September 2009 the Company entered into two warrant agreements with Intel Capital Corporation to purchase a total of 750,000 shares of the Company's common stock. Under one warrant agreement 500,000 shares of the Company's common stock could be purchased at an exercise price of \$4.15 per share and under the second warrant agreement 250,000 shares of the Company's common stock could be purchased at an exercise price of \$5.08 per share. The warrant agreements were to expire in September 2014. Also in September 2009, the Company and Intel Corporation entered into an agreement to share technical and operations information regarding the development of the Company's products, the capabilities of the Company's photomask manufacturing lines and the alignment of photomask toolsets. Intel Capital Corporation also invested in the Company's convertible debt offering of September 2009. The warrants were recorded at their fair value on their date of grant, which was determined using the Black-Scholes option pricing model. In June 2013 Intel Capital Corporation exercised all of the warrants under both warrant agreements on a net share basis and received 0.3 million shares of the Company's common stock.

NOTE 8 - SHARE-BASED COMPENSATION

The Company has a share-based compensation plan ("Plan"), under which options, restricted stock, restricted stock units, stock appreciation rights, performance stock, performance units, and other awards based on, or related to, shares of the Company's common stock may be granted from shares authorized but unissued or shares previously issued and reacquired by the Company. The maximum number of shares of common stock approved by the Company's shareholders to be issued under the Plan was increased from six million shares to nine million shares during the three month period ended May 4, 2014. Awards may be granted to officers, employees, directors, consultants, advisors, and independent contractors of the Company or its subsidiaries. In the event of a change in control (as defined in the Plan), the vesting of awards may be accelerated. The Plan, aspects of which are more fully described below, prohibits further awards from being issued under prior plans. Total share-based compensation costs for the three and six month periods ended May 4, 2014, were \$1.0 million and \$2.1 million, respectively, and \$0.9 million and \$1.8 million for the three and six month periods ended April 28, 2013, respectively. The Company received cash from option exercises of \$0.3 million and \$0.7 million for the three and six month periods ended May 4, 2014, respectively, and \$0.3 million and \$0.4 million for the three and six month periods ended April 28, 2013, respectively. No share-based compensation cost was capitalized as part of an asset and no related income tax benefits were recorded during the periods presented.

Stock Options

Option awards generally vest in one to four years, and have a ten-year contractual term. All incentive and non-qualified stock option grants have an exercise price equal to the market value of the underlying common stock on the date of grant. The grant date fair value of options are based on closing prices of the Company's common stock on the dates of grant using the Black-Scholes option pricing model. Expected volatility is based on the historical volatility of the Company's stock. The Company uses historical option exercise behavior and employee termination data to estimate expected term, which represents the period of time that the options granted are expected to remain outstanding. The risk-free rate of return for the estimated term of the option is based on the U.S. Treasury yield curve in effect at the date of grant.

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The weighted-average inputs and risk-free rate of return ranges used to calculate the grant date fair value of options issued during the three and six month periods ended May 4, 2014 and April 28, 2013, are presented in the following table.

	Three Months Ended		Six Months Ended		
	May 4, 2014	April 28, 2013	May 4, 2014	April 28, 2013	
Expected volatility	N/A	84.5 %	61.1 %	99.6	%
Risk free rate of return	N/A	0.6 %	1.4 %	0.5% - 0.7	%
Dividend yield	N/A	N/A	N/A	N/A	
Expected term	N/A	4.3 years	4.6 years	4.3 years	

Information on outstanding and exercisable option awards as of May 4, 2014, is presented below.

Options	Shares	Weighted Average Exercise Price	Weighted	Aggregate
			Average Remaining Contractual Life	Intrinsic Value
Outstanding at May 4, 2014	4,501,114	\$ 8.59	5.8 years	\$ 10,548
Exercisable at May 4, 2014	3,021,073	\$ 9.27	4.3 years	\$ 8,183

There were no share options granted during the three month period ended May 4, 2014, and there were 20,000 share options granted during the three month period ended April 28, 2013, with a grant date fair value of \$4.07 per share. There were 612,500 share options granted during the six month period ended May 4, 2014, with a weighted-average grant date fair value of \$4.45 per share and 584,000 share options granted during the six month period ended April 28, 2013, with a weighted-average grant date fair value of \$3.99 per share. As of May 4, 2014, the total unrecognized compensation cost related to unvested option awards was approximately \$5.0 million. That cost is expected to be recognized over a weighted-average amortization period of 2.6 years.

Restricted Stock

The Company periodically grants restricted stock awards. The restrictions on these awards lapse over a service period that has ranged from less-than-one to eight years. No restricted stock awards were granted during the three month period ended May 4, 2014, and 111,667 restricted stock awards were issued during the six month period ended May 4, 2014, with a weighted-average grant date fair value of \$8.86 per share. There were 5,000 restricted stock awards granted during the three month period ended April 28, 2013, with a weighted average grant date fair value of \$6.43 per share, and 209,500 restricted stock awards granted during the six month period ended April 28, 2013, with a weighted-average grant date fair value of \$5.48 per share. As of May 4, 2014, the total compensation cost not yet recognized related to unvested restricted stock awards was approximately \$1.5 million. That cost is expected to be

recognized over a weighted-average amortization period of 2.0 years. As of May 4, 2014, there were 278,419 shares of restricted stock outstanding.

NOTE 9 - INCOME TAXES

The effective income tax rates for the three month periods ended May 4, 2014 and April 28, 2013, differ from the rates computed by applying the U.S. statutory rate of 35% to income before income taxes for the periods primarily due to foreign tax rate differences, as well as the existence of valuation allowances in jurisdictions with historical and continuing tax losses.

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Unrecognized tax benefits related to uncertain tax positions were \$7.9 million at May 4, 2014 and \$4.9 million at November 3, 2013, of which \$4.7 million and \$1.7 million, respectively, would favorably impact the Company's effective tax rate if recognized. The current period increase is primarily due to uncertain tax positions related to the acquisition of DPTT (as discussed in Note 2), net of the recognition of a previously unrecognized benefit as a result of a lapse of an assessment period. Accrued interest and penalties related to unrecognized tax benefits was \$0.1 million both at May 4, 2014 and November 3, 2013. As of May 4, 2014, the total amount of unrecognized tax benefits is not expected to significantly increase or decrease in the next twelve months.

During the three month period ended May 4, 2014, PSMC, in conjunction with the acquisition of DPTT, made a one-time remittance of \$35.1 million of earnings previously considered to be permanently reinvested, as a result of ownership interest provisions in the acquisition agreements. The balance of the entity's undistributed earnings remains indefinitely reinvested.

As a result of the acquisition of DPTT(as discussed in Note 2), the Company had an increase in available foreign tax operating loss carryforwards of approximately \$57.6 million that expire between 2015 and 2018, the benefits of which are anticipated to be fully realized.

PKLT, the Company's FPD manufacturing facility in Taiwan, is accorded a tax holiday which commenced in 2012 and expires in 2017. The tax holiday had no dollar or per share effect in the three and six months ended May 4, 2014 and April 28, 2013.

NOTE 10 - EARNINGS PER SHARE

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

	Three Months Ended		Six Months Ended	
	May 4, 2014	April 28, 2013	May 4, 2014	April 28, 2013
Net income attributable to Photronics, Inc. shareholders	\$15,540	\$4,863	\$17,533	\$7,187
Effect of dilutive securities:				
Interest expense on convertible notes, net of related tax effects	1,542	-	3,084	-
Earnings for diluted earnings per share	\$17,082	\$4,863	\$20,617	\$7,187
Weighted-average common shares computations:				
Weighted-average common shares used for basic earnings per share	61,372	60,493	61,286	60,385
Effect of dilutive securities:				
Convertible notes	15,423	-	15,423	-
Share-based payment awards	910	766	923	726
Common stock warrants	-	242	-	187
Potentially dilutive common shares	16,333	1,008	16,346	913
Weighted-average common shares used for diluted earnings per share	77,705	61,501	77,632	61,298
Basic earnings per share	\$0.25	\$0.08	\$0.29	\$0.12
Diluted earnings per share	\$0.22	\$0.08	\$0.27	\$0.12

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

	Three Months Ended		Six Months Ended	
	May 4, 2014	April 28, 2013	May 4, 2014	April 28, 2013
Share-based payment awards	2,105	2,901	2,131	2,922
Convertible notes	-	15,423	-	15,423
Total potentially dilutive shares excluded	2,105	18,324	2,131	18,345

NOTE 11 - CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME BY COMPONENT

The following tables set forth the changes in the Company's accumulated other comprehensive income by component (net of tax of \$0) for the three and six month periods ended May 4, 2014 and April 28, 2013:

	Three Months Ended May 4, 2014			
	Foreign Currency Translation Adjustments	Amortization of Cash Flow Hedge	Other	Total
Balance at February 3, 2014	\$19,326	\$ (530)	\$(816)	\$17,980
Other comprehensive income (loss) before reclassifications	11,635	-	(5)	11,630
Amounts reclassified from other comprehensive income	-	32	-	32
Net current period other comprehensive income (loss)	11,635	32	(5)	11,662
Other comprehensive income allocated to noncontrolling interests	-	-	412	412
Less: other comprehensive income attributable to noncontrolling interests	(33)	-	(2)	(35)
Balance at May 4, 2014	\$30,928	\$ (498)	\$(411)	\$30,019

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	Three Months Ended April 28, 2013			
	Foreign Currency Translation Adjustments	Amortization of Cash Flow Hedge	Other	Total
Balance at January 28, 2013	\$25,152	\$ (658)	\$(682)	\$23,812
Other comprehensive income (loss) before reclassifications	(13,104)	-	14	(13,090)
Amounts reclassified from other comprehensive income	-	32	-	32
Net current period other comprehensive income (loss)	(13,104)	32	14	(13,058)
Less: other comprehensive loss attributable to noncontrolling interests	662	-	-	662
Balance at April 28, 2013	\$12,710	\$ (626)	\$(668)	\$11,416
	Six Months Ended May 4, 2014			
	Foreign Currency Translation Adjustments	Amortization of Cash Flow Hedge	Other	Total
Balance at November 4, 2013	\$27,797	\$ (562)	\$(832)	\$26,403
Other comprehensive income before reclassifications	3,084	-	22	3,106
Amounts reclassified from other comprehensive income	-	64	-	64
Net current period other comprehensive income	3,084	64	22	3,170
Less: other comprehensive income attributable to noncontrolling interests	47	-	-	47
Other comprehensive income allocated to noncontrolling interests	-	-	412	412
Redemption of common stock by subsidiary	-	-	(13)	(13)
Balance at May 4, 2014	\$30,928	\$ (498)	\$(411)	\$30,019

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	Six Months Ended April 28, 2013			
	Foreign Currency Translation Adjustments	Amortization of Cash Flow Hedge	Other	Total
Balance at October 29, 2012	\$17,241	\$ (690)	\$(651)	\$15,900
Other comprehensive income (loss) before reclassifications	(4,963)	-	10	(4,953)
Amounts reclassified from other comprehensive income	-	64	-	64
Net current period other comprehensive income (loss)	(4,963)	64	10	(4,889)
Less: other comprehensive loss attributable to noncontrolling interests	432	-	-	432
Repurchase of common stock by subsidiary	-	-	(27)	(27)
Balance at April 28, 2013	\$12,710	\$ (626)	\$(668)	\$11,416

The amortization of the cash flow hedge is included in cost of sales in the condensed consolidated statements of income for all periods presented.

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NOTE 12 – GEOGRAPHIC INFORMATION

The Company operates as a single operating segment as a manufacturer of photomasks, which are high precision quartz plates containing microscopic images of electronic circuits for use in the fabrication of ICs and FPDs. Geographic net sales are based primarily on where the Company's manufacturing facility is located.

The Company's net sales by geographic area and for ICs and FPDs for the three and six month periods ended May 4, 2014 and April 28, 2013, and its long-lived assets by geographic area as of May 4, 2014 and November 3, 2013, are presented below.

	Three Months Ended		Six Months Ended	
	May 4, 2014	April 28, 2013	May 4, 2014	April 28, 2013
Net sales				
Taiwan	\$35,764	\$27,425	\$64,941	\$55,819
Korea	32,790	32,332	69,607	66,304
United States	25,555	37,045	50,708	65,265
Europe	10,241	9,388	20,117	17,988
All other	532	490	1,051	1,143
	\$104,882	\$106,680	\$206,424	\$206,519
IC	\$76,547	\$82,164	\$152,760	\$156,588
FPD	28,335	24,516	53,664	49,931
	\$104,882	\$106,680	\$206,424	\$206,519

	As of	
	May 4, 2014	November 3, 2013
Long-lived assets		
United States	\$189,307	\$191,518
Korea	172,030	153,878
Taiwan	162,886	66,836
Europe	9,815	10,471
All other	27	37
	\$534,065	\$422,740

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

NOTE 13 - FAIR VALUE MEASUREMENTS

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

The Company did not have any assets or liabilities measured at fair value on a recurring basis at May 4, 2014 or November 3, 2013. During the three month period ended May 4, 2014, the Company measured and recorded the net assets it acquired in its subsidiary's acquisition of DNP Photomask Technology Taiwan Co., Ltd. at fair value. See Note 2 for further information.

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Fair Value of Other Financial Instruments

The fair values of the Company's cash and cash equivalents (Level 1 measurements), accounts receivable, accounts payable, and certain other current assets and current liabilities (Level 2 measurements) approximate their carrying value due to their short-term maturities. The fair value of the Company's variable rate term loan that was repaid in December 2013 is a Level 2 measurement and approximates its carrying value due to the variable nature of the underlying interest rates. The fair value of the Company's convertible senior notes is a Level 2 measurement that is determined using recent bid prices.

The table below presents the fair and carrying values of the Company's convertible senior notes at May 4, 2014 and November 3, 2013.

	May 4, 2014		November 3, 2013	
	Fair Value	Carrying Value	Fair Value	Carrying Value
3.25% convertible senior notes	\$127,719	\$115,000	\$130,330	\$115,000
5.5% convertible senior notes	\$38,810	\$22,054	\$37,567	\$22,054

NOTE 14 - SUBSIDIARY SHARE REPURCHASE AND TENDER OFFER

Since the second quarter of fiscal 2011, the board of directors of PSMC, a subsidiary of the Company based in Taiwan, has authorized several share repurchase programs for PSMC to purchase for retirement shares of its outstanding common stock. The last of these repurchase programs concluded in the first fiscal quarter of 2013 in which PSMC purchased 9.2 million shares at a cost of \$4.2 million. These repurchase programs increased the Company's ownership in PSMC from 72.09% at October 28, 2012, to 75.11% at January 27, 2013. During fiscal 2013 the Company increased its ownership interest in PSMC, primarily through a tender offer, to 98.63% by purchasing 51.4 million shares at a cost of \$28.1 million. In January 2014 the Company increased its ownership percentage in PSMC to 100% at a cost of \$1.7 million for the then remaining 3.0 million shares that were not owned by the Company.

In April 2014 DPTT merged into PSMC. See Note 2 for further discussion relating to the DPTT Acquisition.

The table below presents the effect of the change in the Company's ownership interest in PDMC on the Company's equity for the three and six month periods ended May 4, 2014, (3.0 million shares of common stock acquired and 112.9 million shares of common stock issued, respectively) and the six month period ended April 28, 2013 (9.2 million shares of PSMC common stock acquired).

	Three Months Ended		Six Months Ended	
	May 4, 2014	April 28, 2013	May 4, 2014	April 28, 2013
Net income attributable to Photronics, Inc. shareholders	\$15,540	\$4,863	\$17,533	\$7,187
Increase (decrease) in Photronics, Inc.'s additional paid-in capital	(6,218)	-	(6,182)	579
Increase (decrease) in accumulated other comprehensive income	411	-	399	(27)

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Change from net income attributable to Photronics, Inc. shareholders due to issuance of shares of PDMC and transfers to and from noncontrolling interest	\$9,733	\$4,863	\$11,750	\$7,739
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NOTE 15 - COMMITMENTS AND CONTINGENCIES

As of May 4, 2014, the Company had commitments outstanding for capital expenditures of approximately \$74 million.

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

NOTE 16 - RECENT ACCOUNTING PRONOUNCEMENTS

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

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

Overview

Management's discussion and analysis ("MD&A") of the Company's financial condition, results of operations and outlook should be read in conjunction with its condensed consolidated financial statements and related notes. Various segments of this MD&A contain forward-looking statements, all of which are presented based on current expectations and may be adversely affected by uncertainties and risk factors (presented throughout this filing and in the Company's Annual Report on Form 10-K for the fiscal 2013 year), that may cause actual results to materially differ from these expectations. On April 4, 2014, DNP Photomask Technology Taiwan Co., Ltd. ("DPTT"), a wholly owned subsidiary of Dai Nippon Printing Co., Ltd. ("DNP"), merged into Photronics Semiconductor Mask Corporation ("PSMC"), a wholly owned subsidiary of Photronics. All of the assets and liabilities of DPTT existing prior to the merger were assumed by the renamed surviving entity of the merger, Photronics DNP Mask Corporation ("PDMC"). Photronics and DNP own 50.01 percent and 49.99 percent of PDMC, respectively, and the results of DPTT are included in the condensed consolidated financial statements since the date of the acquisition. Throughout this report the merger of DPTT into PSMC is referred to as the "DPTT Acquisition."

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

The global semiconductor industry, including mobile displays, is driven by end markets which have been closely tied to consumer driven applications of high performance semiconductor devices including, but not limited to, mobile

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

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Material Changes in Results of Operations

Three and Six Months ended May 4, 2014 and April 28, 2013

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

	Three Months Ended		Six Months Ended	
	May 4, 2014	April 28, 2013	May 4, 2014	April 28, 2013
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	(78.8)	(76.8)	(78.2)	(77.8)
Gross margin	21.2	23.2	21.8	22.2
Selling, general and administrative expenses	(12.8)	(11.4)	(12.4)	(11.2)
Research and development expenses	(5.7)	(4.2)	(5.3)	(4.6)
Operating income	2.7	7.6	4.1	6.4
Gain on acquisition	15.6	-	7.9	-
Other income (expense), net	(1.2)	(0.9)	(1.0)	(0.7)
Net income before income tax provision	17.1	6.7	11.0	5.7
Income tax provision	(1.9)	(1.6)	(2.3)	(1.7)
Net income	15.2	5.1	8.7	4.0
Net income attributable to noncontrolling interests	(0.4)	(0.5)	(0.2)	(0.5)
Net income attributable to Photronics, Inc. shareholders	14.8 %	4.6 %	8.5 %	3.5 %

Note: All of the following tabular comparisons, unless otherwise indicated, are for the three months ended May 4, 2014 (Q2-14) and April 28, 2013 (Q2-13) and for the six months ended May 4, 2014 (YTD-14) and April 28, 2013 (YTD-13), in millions of dollars.

Net Sales

	Three Months Ended			Six Months Ended		
	Q2-14	Q2-13	Percent Change	YTD-14	YTD-13	Percent Change
IC	\$76.6	\$82.2	(6.8)%	\$152.8	\$156.6	(2.4)%
FPD	28.3	24.5	15.6%	53.6	49.9	7.4%
Total net sales	\$104.9	\$106.7	(1.7)%	\$206.4	\$206.5	-

Net sales for Q2-14 decreased 1.7% to \$104.9 million as compared to \$106.7 million for Q2-13. The decrease was primarily a result of reduced high-end IC sales, which was offset in part by increased high-end FPD sales. Total mainstream sales increased slightly in Q2-14 as compared to Q2-13. Revenues attributable to high-end products decreased by \$2.1 million to \$37.8 million in Q2-14 as compared to \$39.9 million in Q2-13. High-end photomask applications include mask sets for 45 nanometer and below for IC products, and G8 and above and active matrix organic light-emitting diode (AMOLED) display screen technologies for FPD products. By geographic area, net sales in Q2-14 as compared to Q2-13 increased (decreased) by \$0.5 million or 1.4% in Korea, \$(11.5) million or (31.0)% in the United States, \$8.3 million or 30.4% in Taiwan and \$0.9 million or 9.1% in Europe. The increase in sales in Taiwan was due in part to the acquisition of DPTT as discussed in Note 2 to the condensed consolidated financial statements.

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Net sales for YTD-14 decreased slightly to \$206.4 million as compared to \$206.5 million for YTD-13. Revenues attributable to high-end products decreased by \$5.1 million to \$70.0 million in YTD-14 as compared to \$75.1 million in YTD-13, as reduced high-end IC sales were offset in part by increased high-end FPD sales.

The Company's quarterly revenues can be affected by the seasonal purchasing of its customers. Demand for the Company's products is typically negatively impacted during the first six months of its fiscal year by the North American, European and Asian holiday periods, as some customers reduce their effective workdays and orders during this period.

Gross Margin

	Three Months Ended			Six Months Ended		
	Q2-14	Q2-13	Percent Change	YTD-14	YTD-13	Percent Change
Gross margin	\$22.2	\$24.8	(10.5)%	\$45.1	\$ 45.9	(1.8)%
Percentage of net sales	21.2 %	23.2 %		21.8%	22.2 %	

Gross margin percentage decreased to 21.2% in Q2-14 from 23.2% in Q2-13 as a result of decreased sales in Q2-14 as compared to Q2-13, and increased manufacturing costs associated with the acquisition of DPTT as discussed in Note 2 to the condensed consolidated financial statements. Gross margin decreased slightly in YTD-14 as compared to YTD-13. The Company operates in a high fixed cost environment and, to the extent that the Company's revenues and utilization increase or decrease, gross margin will generally be positively or negatively impacted.

Selling, General and Administrative Expenses

	Three Months Ended			Six Months Ended		
	Q2-14	Q2-13	Percent Change	YTD-14	YTD-13	Percent Change
Selling, general and administrative expenses	\$13.4	\$12.2	10.4 %	\$25.7	\$ 23.2	10.7 %
Percentage of net sales	12.8 %	11.4 %		12.4%	11.2 %	

Selling, general and administrative expenses were \$13.4 million in Q2-14 and \$12.2 million in Q2-13, and were \$25.7 million in YTD-14 and \$23.2 million in YTD-13. These increases were primarily the result of expenses related to the acquisition of DPTT of \$2.0 million in Q2-14 and \$2.5 million in YTD-14, as discussed in Note 2 to the condensed consolidated financial statements.

Research and Development

	Three Months Ended			Six Months Ended		
	Q2-14	Q2-13	Percent Change	YTD-14	YTD-13	Percent Change
Research and development	\$5.9	\$4.6	30.4 %	\$10.9	\$ 9.4	16.2 %
Percentage of net sales	5.7 %	4.2 %		5.3 %	4.6 %	

Research and development expenses consist primarily of global development efforts related to high-end process technologies for advanced sub-wavelength reticle solutions for IC technologies. Research and development expenses increased by \$1.3 million to \$5.9 million in Q2-14, as compared to \$4.6 million in Q2-13, and by \$1.5 million to

\$10.9 million in YTD-14, as compared to \$9.4 million in YTD-13. The increase in research and development expenses in Q2-14 and YTD-14 as compared to the same periods in the prior year was primarily due to increased activities at advanced nanometer technology nodes for IC photomasks.

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Other Income (Expense), net

	Three Months		Six Months	
	Ended Q2-14	Q2-13	Ended YTD-14	YTD-13
Gain on acquisition	\$16.4	\$-	\$16.4	\$ -
Interest expense	(1.8)	(1.9)	(3.8)	(3.8)
Interest and other income (expense), net	0.6	1.0	1.7	2.3
Other income (expense), net	\$15.2	\$(0.9)	\$14.3	\$(1.5)

In April 2014 DNP Photomask Technology Taiwan Co., Ltd., a wholly owned subsidiary of Dai Nippon Printing Co., Ltd. (DNP), merged into PSMC and operates under the name of Photronics DNP Mask Corporation (PDMC). The acquisition resulted in the Company recording a gain of \$16.4 million in the second quarter of fiscal 2014. See Note 2 of the condensed consolidated financial statements for more information.

Interest expense decreased slightly in Q2-14 as compared to Q2-13 primarily as a result of reduced outstanding borrowing balances.

Interest and other income (expense), net decreased in Q2-14 as compared to Q2-13 by \$0.4 million, and in YTD-14 as compared to YTD-13 by \$0.6 million as a result of reduced interest income on lower cash balances and lower net foreign currency gains.

Income Tax Provision

	Three Months		Six Months	
	Ended Q2-14	Q2-13	Ended YTD-14	YTD-13
Income tax provision	\$2.0	\$1.7	\$4.7	\$ 3.5
Effective income tax rate	11.3 %	24.1 %	20.9%	29.5 %

The effective income tax rate decreased in Q2-14 as compared to Q2-13, and in YTD-14 as compared to YTD-13, primarily due to the application of a zero tax rate on the gain recognized on the DPTT Acquisition, combined with higher income tax provisions recorded in jurisdictions in which the Company generated income before income taxes which, due to valuation allowances, were not significantly offset by income tax benefits recorded in jurisdictions in which the Company incurred losses before income taxes.

Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests decreased \$0.2 million to \$0.4 million in Q2-14, as compared to \$0.6 million in Q2-13, and decreased \$0.6 million to \$0.5 million in YTD-14, as compared to \$1.1 million in YTD-13, primarily as a result of changes in the ownership structure of the Company's IC manufacturing facility located in Taiwan. During YTD-13, the Company reacquired shares held by noncontrolling interests of this subsidiary, while during Q2-14, the Company exchanged a 49.99% noncontrolling interest in this subsidiary in return for the net assets of an acquirer. See Notes 2 and 14 of the condensed consolidated financial statements for further information.

Liquidity and Capital Resources

The Company's working capital was \$209.4 million at May 4, 2014, and \$213.9 million at November 3, 2013. The decrease in working capital was primarily related to the repayment of a long-term loan discussed in Note 6 of the condensed consolidated financial statements. Cash and cash equivalents were \$191.8 million at May 4, 2014, and \$215.6 million at November 3, 2013. Net cash provided by operating activities was \$39.9 million for the six month period ended May 4, 2014, as compared to \$35.9 million for the six month period ended April 28, 2013, the increase primarily due to decreased accounts receivable, net of a non cash increase in accounts receivable in connection with the acquisition of DPTT, compared to the prior year. Net cash used in investing activities for the six month period ended May 4, 2014, was \$38.8 million, which was comprised primarily of capital expenditure payments, offset in part by cash received from the acquisition of DPTT. Net cash used in financing activities of \$25.1 million for the six month period ended May 4, 2014, was primarily comprised of repayments of long-term borrowings. The Company may use its cash available on hand for operations, capital expenditures, debt repayments, strategic opportunities, stock repurchases or other corporate uses, any of which may be material.

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As of May 4, 2014 and November 3, 2013, the Company's total cash and cash equivalents include \$118.0 million and \$165.7 million, respectively, held by its foreign subsidiaries. The majority of earnings of the Company's foreign subsidiaries are considered to be indefinitely reinvested. In a one-time distribution in connection with the acquisition of DPTT, \$35.1 million in earnings of PSMC were remitted to the U.S. that were previously considered to be permanently reinvested (see Note 9 to the condensed consolidated financial statements for further discussion). The Company's foreign subsidiaries continue to grow through the reinvestment of earnings in additional manufacturing capacity and capability, particularly in the high-end IC and FPD areas. A repatriation of these funds to the U.S. may be subject to U.S. federal income taxes and local country withholding tax in certain jurisdictions.

In April 2014 the Company closed the DPTT Acquisition, which was a noncash transaction that resulted in the Company owning 50.01% and DNP owning 49.99% of PDMC, whose financial results are included in the Company's consolidated financial statements. PDMC is expected to generate sufficient cash flows to fund its operating and capital requirements. See Note 2 of the condensed consolidated financial statements for more information.

In December 2013 the Company amended its credit facility, increasing its limit to \$50 million with an expansion capacity to \$75 million and extending its term to December 2018. Simultaneously, the Company repaid its \$21.3 million term loan. The credit facility is secured by substantially all of the Company's assets located in the United States, as well as common stock the Company owns in certain of its foreign subsidiaries, and is subject to the following financial covenants: minimum interest coverage, total leverage ratio and minimum unrestricted cash balance. As of May 4, 2014, the Company was in compliance with the covenants of the credit facility, had no outstanding borrowings under the credit facility and \$50 million was available for borrowing. The credit facility bears interest (1.94 percent at May 4, 2014) based on the Company's total leverage ratio, at LIBOR plus a spread, as defined in the credit facility.

In June 2013 the Company completed a tender offer for shares of PSMC. A total of 50.3 million shares were tendered at the offering price of 16.30 NTD, equivalent to a total of \$27.4 million. In September 2013 the Company purchased an additional 1.1 million shares of PSMC for \$0.7 million, and in January 2014 the Company acquired all of the 3.0 million shares that were then held by noncontrolling interests at a cost of \$1.7 million.

PSMC, through a series of repurchase programs which commenced in 2011 and ended in 2013, repurchased shares of its outstanding common stock. These repurchase programs resulted in 9.2 million shares being purchased for \$4.2 million in 2013, 35.9 million shares being purchased for \$15.6 million in 2012 and 21.6 million shares being purchased for \$9.9 million in 2011.

In August 2013 a \$26.4 million principal amount, five year capital lease to fund the purchase of a high-end lithography tool commenced. Payments under the lease, which bears interest at 2.77 percent, are \$0.5 million per month through July 2018. Under the terms of the lease agreement, the Company must maintain the equipment in good working order, and the lease is subject to a cross default with a cross acceleration provision related to certain nonfinancial covenants incorporated in its credit facility. As of May 4, 2014, the total amount payable through the end of the lease term was \$24.4 million, of which \$23.0 million represented principal and \$1.4 million represented interest.

In February 2012, the Company amended its credit facility to include the addition of a \$25 million term loan that was to mature in March 2017, with minimum quarterly principal payments of \$0.6 million. In the first quarter of fiscal 2014 the Company repaid the \$21.3 million balance of this term loan that was outstanding at November 3, 2013.

As of May 4, 2014, the Company had capital equipment commitments outstanding of approximately \$74 million. The Company believes that its currently available resources, together with its capacity for growth, and its access to equity and other financing sources, will be sufficient to satisfy its currently planned capital expenditures, as well as its anticipated working capital requirements for the next twelve months. However, the Company cannot assure that

additional sources of financing would be available to the Company on commercially favorable terms should the Company's capital requirements exceed cash available from operations, existing cash, and cash available under its credit facility.

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

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Off-Balance Sheet Arrangements

Under the MP Mask joint venture operating agreement, in order to maintain its 49.99% ownership interest, the Company may be required to make additional capital contributions to the joint venture up to the maximum amount specified in the operating agreement. Cumulatively through May 4, 2014, the Company has made additional contributions of \$32.5 million to the joint venture, and has received distributions from the joint venture totaling \$10.0 million.

Under the PDMC operating agreement the shareholders of PDMC may be requested to make additional contributions to PDMC. In the event that PDMC requests additional capital from its shareholders, the Company may be required to make additional capital contributions to PDMC in order to maintain its 50.01% ownership. The PDMC operating agreement limits the amount of contributions that may be requested during both the first four years of PDMC and during any individual year within those first four years.

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

Business Outlook

A majority of the Company's revenue growth is expected to continue to come from the Asian region, as customers increase their use of manufacturing foundries located outside of North America and Europe. Additional revenue growth is also anticipated in North America, as the Company expects to continue to benefit from advanced technology it may utilize under its technology license with Micron.

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

Effect of Recent Accounting Pronouncements

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Rate Risk

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

The Company attempts to minimize its risk of foreign currency transaction losses by producing its products in the same country in which the products are sold (thereby generating revenues and incurring expenses in the same currency), and by managing its working capital. In some instances, the Company may sell or purchase products in a currency other than the functional currency of the country where it was produced. There can be no assurance that this

approach will continue to be successful, especially in the event of a significant adverse movement in the value of any foreign currencies against the U.S. dollar.

The Company's primary net foreign currency exposures as of May 4, 2014, included the Korean won, the Japanese yen, the New Taiwan dollar, the Singapore dollar, the British pound, and the euro. As of May 4, 2014, a 10% adverse movement in the value of these currencies against the U.S. dollar would have resulted in a net unrealized pre-tax loss of \$4.0 million. The Company does not believe that a 10% change in the exchange rates of other non-U.S. dollar currencies would have a material effect on its consolidated financial position, results of operations, or cash flows.

Interest Rate Risk

At May 4, 2014, the Company did not have any variable rate borrowings. A 10% change in interest rates would not have had a material effect on the Company's consolidated financial position, results of operations, or cash flows in the three and six month periods ended May 4, 2014.

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Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

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

Changes in Internal Control over Financial Reporting

There was no change in the Company's internal control over financial reporting during the Company's second quarter of fiscal 2014 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

The Company is involved from time to time in legal proceedings relating to claims that arise in the ordinary course of business and are regarded as common in our business, including administrative or judicial proceedings seeking remediation under environmental laws, such as Superfund, products liability, breach of contract liability and premises liability litigation. The Company does not believe that such claims, individually or in the aggregate, will have a material effect on the business of the Company. Where appropriate, the Company may establish financial reserves as estimated by its general counsel for such proceedings. The Company also maintains insurance to mitigate certain of such risks.

Item 1A. RISK FACTORS

Risks Associated with the DPTT Acquisition

In accounting for the DPTT Acquisition, the Company was required to estimate the fair values of assets acquired and liabilities assumed and such estimates are inherently subject to uncertainty. In addition, the DPTT Acquisition may subject the Company to various risks which could adversely affect its future earnings and cash flows. These include the risks that: the cost of combining operations may exceed the Company's estimates; the unanticipated loss of sales due to an overlap of customers served by both PSMC and DPTT prior to the DPTT Acquisition; and that greater than anticipated charges to maintain duplicate preacquisition activities and eliminate duplicative activities are experienced. These and other unforeseen factors may adversely affect the Company's financial performance and could also result in

the Company needing to utilize its cash reserves or incur additional debt.

There have been no other material changes to risks relating to the Company's business as disclosed in Part 1, Item 1A of the Company's Form 10-K for the year ended November 3, 2013.

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Item 6. EXHIBITS

(a) Exhibits

Exhibit

Number Description

- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.INS XBRL Instance Document

101.SCHXBRL Taxonomy Extension Schema Document

101.CALXBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LABXBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

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

Photronics, Inc.
(Registrant)

By: /s/ SEAN T. SMITH
Sean T. Smith
Senior Vice President
Chief Financial Officer
(Duly Authorized Officer and
Principal Financial Officer)

Date: June 6, 2014

