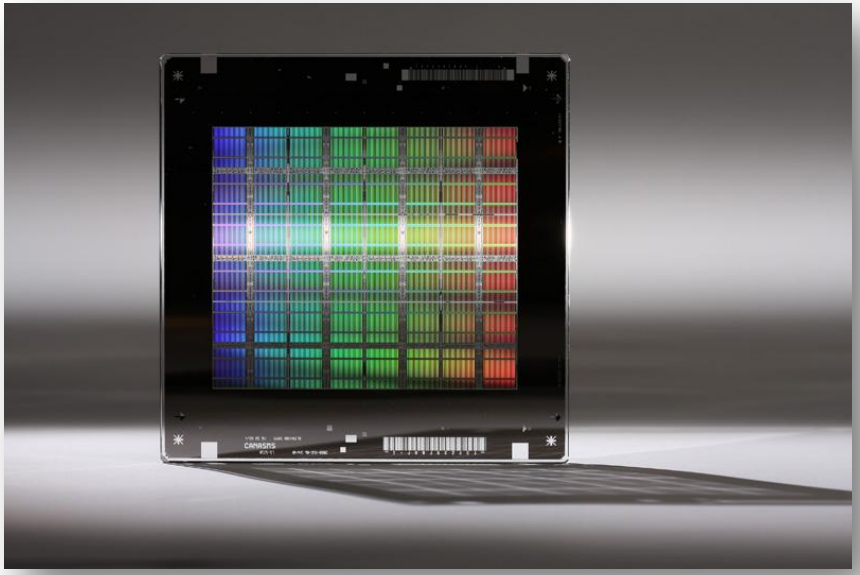
Photronics, Inc.



Fourth Quarter of Fiscal 2011
Conference Call

Safe Harbor Statement

During this presentation, some of our comments may contain projections or other forward-looking statements regarding future events or the future financial performance of the Company and/or the industry. We wish to caution you that such statements are predictions and contain risks and uncertainties and actual events or results may differ materially. Although we believe that the expectations are reasonable, Photronics cannot guarantee the accuracy of any forecasts or estimates, and we do not plan to update any forward-looking statements if our expectations change. If you would like more information on the risks involved in forward-looking statements, please see the documents the Company files from time to time with the Securities and Exchange Commission, specifically the Company's most recent Form 10K and Form 10Q.

Non-GAAP Results

- Some of our comments may reference Non-GAAP financial measures. Non-GAAP financial results referenced in this presentation exclude charges, other expenses and benefits that management believes are not directly related to our ongoing operations. These Non-GAAP results are consistent with another way management internally analyzes Photronics' results of operations.

- Non-GAAP information should be considered a supplement to, and not a substitute for, financial statements prepared in accordance with GAAP.

- Please see the "Reconciliation of GAAP to Non-GAAP Financial Information" for a reconciliation of GAAP to Non-GAAP.

Q4 Financial Results

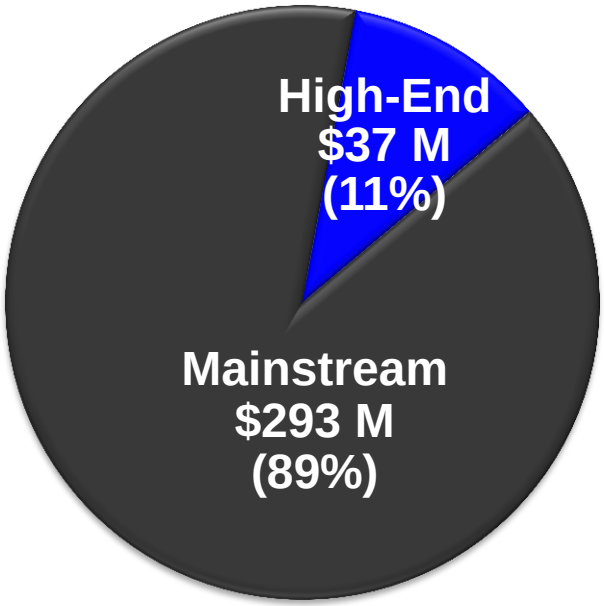
- **Q4 sales of $122.2 million** (revised guidance $120 - $122 million)
  - IC photomask sales of **$96.5** million
    - High-end sales (45 nm and below) of $26 million or 27% of total
  - FPD photomask sales of **$25.7** million
    - High-end (≥ G8 and AMOLED) of $15 million or 58% of total
- **Q4 Non-GAAP EPS of $0.14 per share, within initial guidance**
  - (revised guidance of $0.11 - $0.13 per share)
- **Non-GAAP net income of $9.1 million**
- **Operating Margin of 12.6%**
- **Non-GAAP EBITDA of $38 million**
- **Strengthened balance sheet**
  - Working capital increased $6 million from Q3 to $209 million
  - Net cash at $32 million

Fiscal Year 2011 Highlights

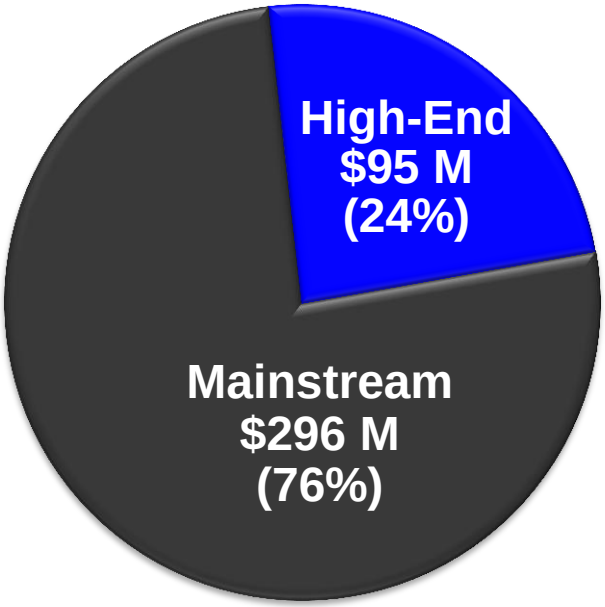
- **Record revenues of $512 million, 20% improvement over 2010**
- **Record IC revenues of $391 million, including $95 million at 45nm and below (157% improvement)**
- **Record FPD revenues of $121 million including $67 million of ≥G8 and AMOLED products (81% improvement)**
- **2011 gross and operating contribution margins of 51% and 47%, respectively**
- **2011 Non-GAAP net income of $52.1 million or 10% of revenue**
- **Strengthened balance sheet**
  - Working capital increased $123 million in 2011 to $209 million
  - Net cash increased from $9 million to $32 million in 2011

Year-Over-Year IC Revenue

2010: $330 M



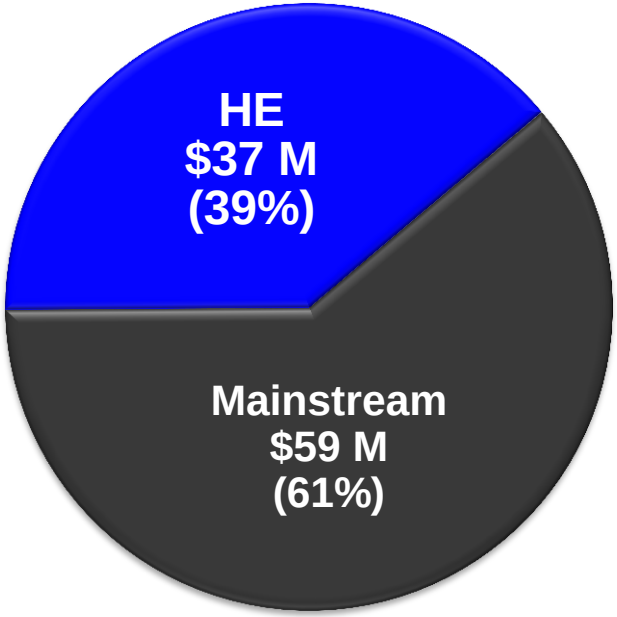
2011: $391 M



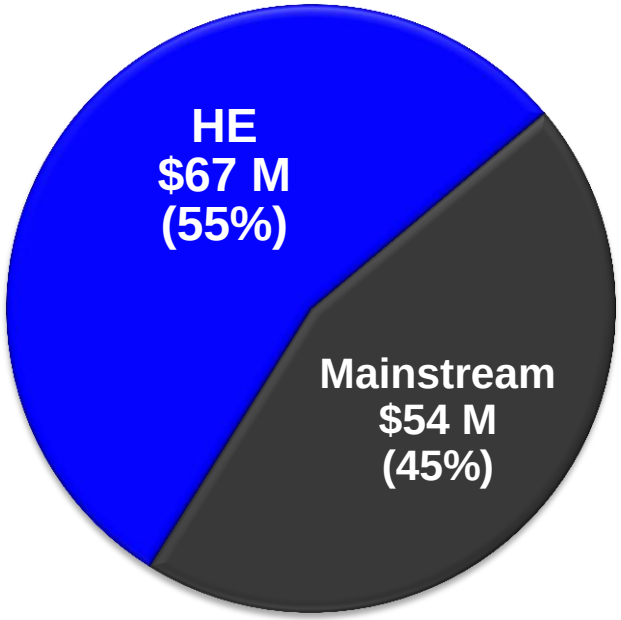
- **Revenue Increase of 19%**
- **High-end (45 nm and below) Increase of 157% (market share)**
- **Modest Mainstream Increase (market share)**

Year-Over-Year FPD Revenue

2010: $96 M



2011: $121 M



- **Revenue Increase of 26%**
- **High-end (≥G8 and AMOLED) Increase of 81%**

Summary

- Strong Fiscal 2011 results demonstrate success of investments in high-end strategy across IC and FPD segments
- Continue to strengthen balance sheet
- Photronics will continue to execute on high-end strategy while serving mainstream customers
- Significant opportunities exist for high-end market share gains

Singapore Initiative

- **Will cease manufacturing of photomasks in Singapore site**
  - Maintaining customer support, data prep and repel services for customers
- **Approximately 60 employees will be affected**
- **Expect to incur a charge in fiscal 2012 of $1.5 - $2.5 million**
- **Due to the ability to service customers from other PLAB locations, we expect minimal, if any, impact on revenue**
- **Expect to generate annual savings of $3 - $4 million, majority of which will be cash**

Photronics, Inc. and Subsidiaries
Reconciliation of GAAP to Non-GAAP Financial Information
(in thousands, except per share data)
(Unaudited)

	Three Months Ended		Year Ended	
	October 30, 2011	October 31, 2010	October 30, 2011	October 31, 2010
Reconciliation of GAAP to Non-GAAP Net Income Attributable to Photronics, Inc.				
GAAP net income attributable to Photronics, Inc.	$ 9,291	$ 8,144	$ 16,229	$ 23,922
(a) Debt extinguishment loss and net interest impact, net of tax	-	-	35,486	-
(b) Consolidation and restructuring credits, net of tax	-	(168)	-	(4,979)
(c) Impact of warrants, net of tax	(175)	554	424	1,246
(d) Deferred financing fees write off, net of tax	-	-	-	1,011
Non-GAAP net income attributable to Photronics, Inc.	$ 9,116	$ 8,530	$ 52,139	$ 21,200
Reconciliation of GAAP to Non-GAAP Net Income Applicable to Common Shareholders				
Weighted average number of diluted shares outstanding				
GAAP	76,259	66,145	58,458	65,803
Non-GAAP	76,082	66,145	71,940	65,803
Net income per diluted share				
GAAP	$ 0.14	$ 0.14	$ 0.28	$ 0.43
Non-GAAP	$ 0.14	$ 0.14	$ 0.80	$ 0.38

(a) Represents extinguishment charges during the year ended October 30, 2011 related to the repurchase of $35.4 million of our 5.50% convertible senior notes due in October 2014, and net interest impact on convertible transactions.

(b) Includes credits related to restructuring in China.

(c) Represents financing expenses related to warrants, which are recorded in other expense, net.

(d) Represents write-off of deferred financing fees recorded in interest expense, as a result of an amendment to our revolving credit facility.

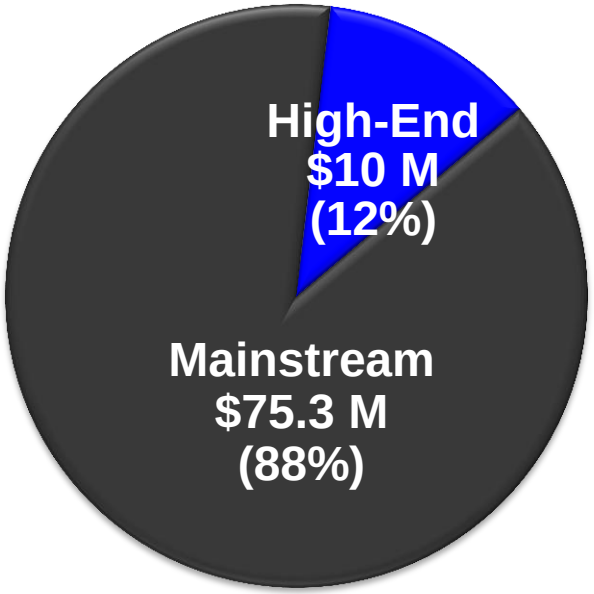
Q4 Sequential Revenue ($ in millions)

Sales	Q3-11	Q4-11	% Delta
IC High-End [1]	$ 30.7	$ 26.0	(15%)
IC Mainstream	74.2	70.5	(5%)
Total IC Sales	$104.9	$ 96.5	(8%)
FPD High-End [2]	$ 17.8	$15.0	(16%)
FPD Mainstream	13.2	10.7	(19%)
Total FPD Sales	$ 31.0	$ 25.7	(17%)
Total Sales	$135.9	$122.2	(10%)

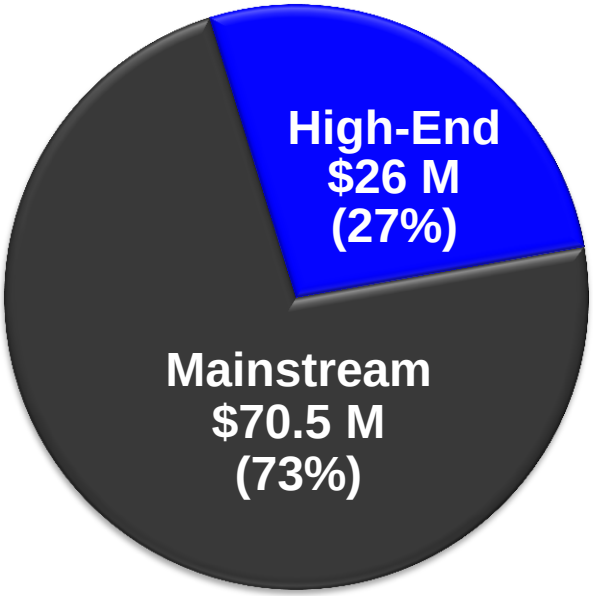
(1) 45nm and below
(2) ≥G8 and AMOLED

Q/Q IC Revenue

Q4-2010: $85.3 M



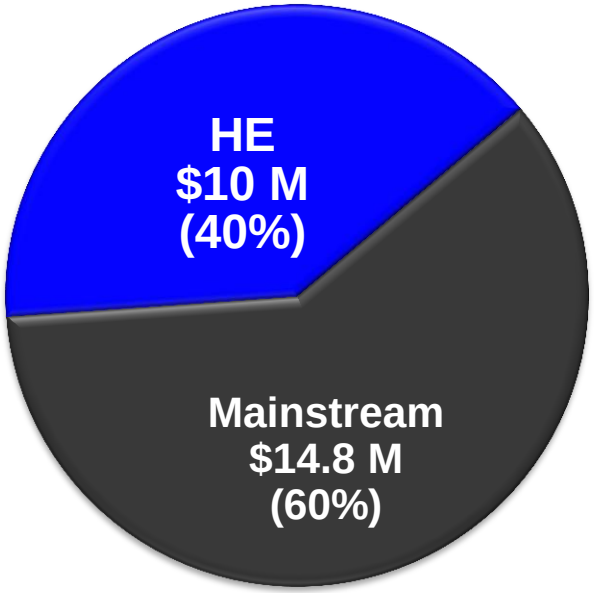
Q4-2011: $96.5 M



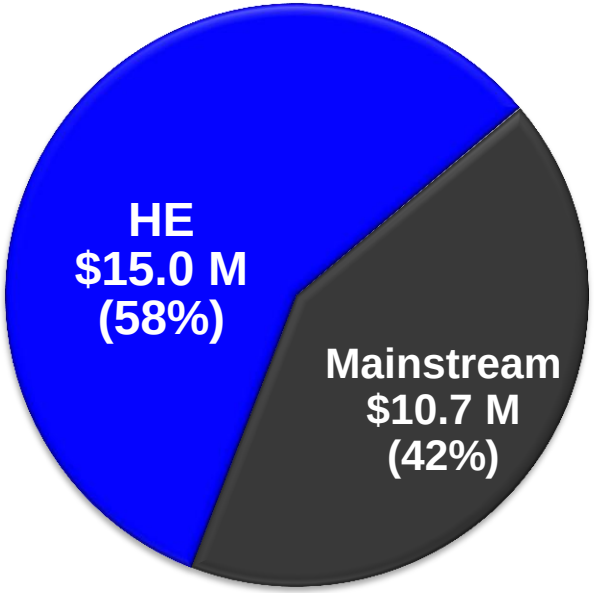
- **Revenue Increase of 13%**
- **High-end (45 nm and below) Increase of 160%**

Q/Q FPD Revenue

Q4-2010: $24.8 M

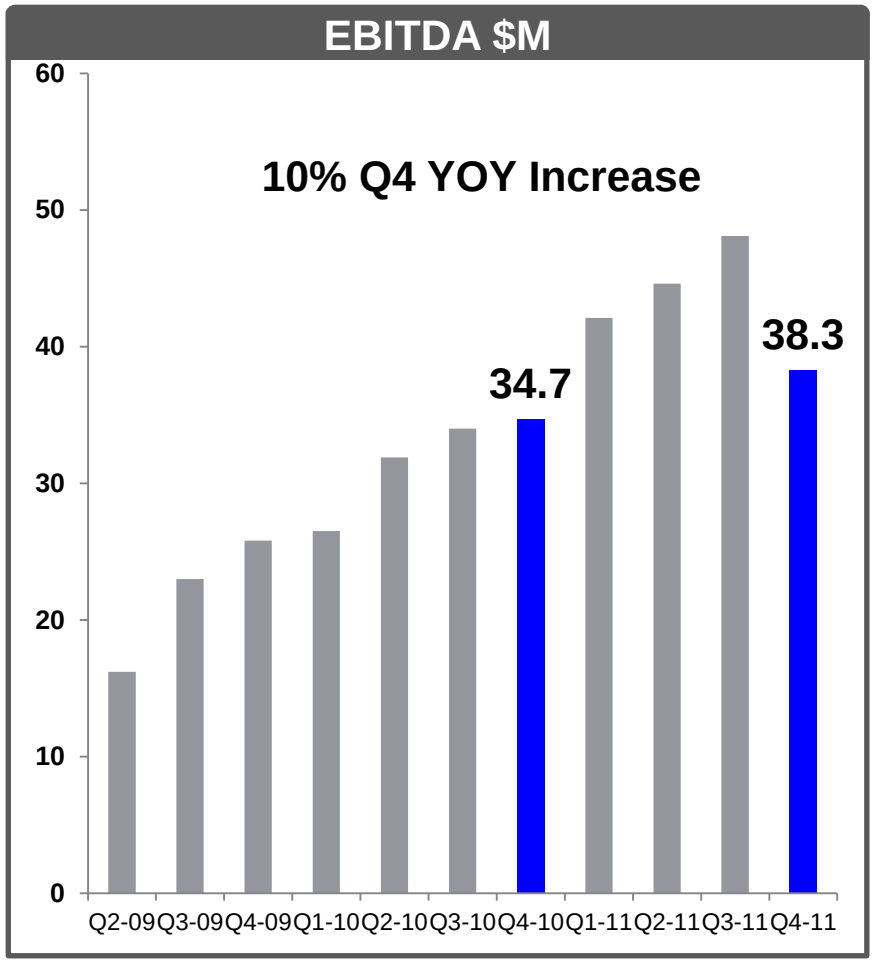


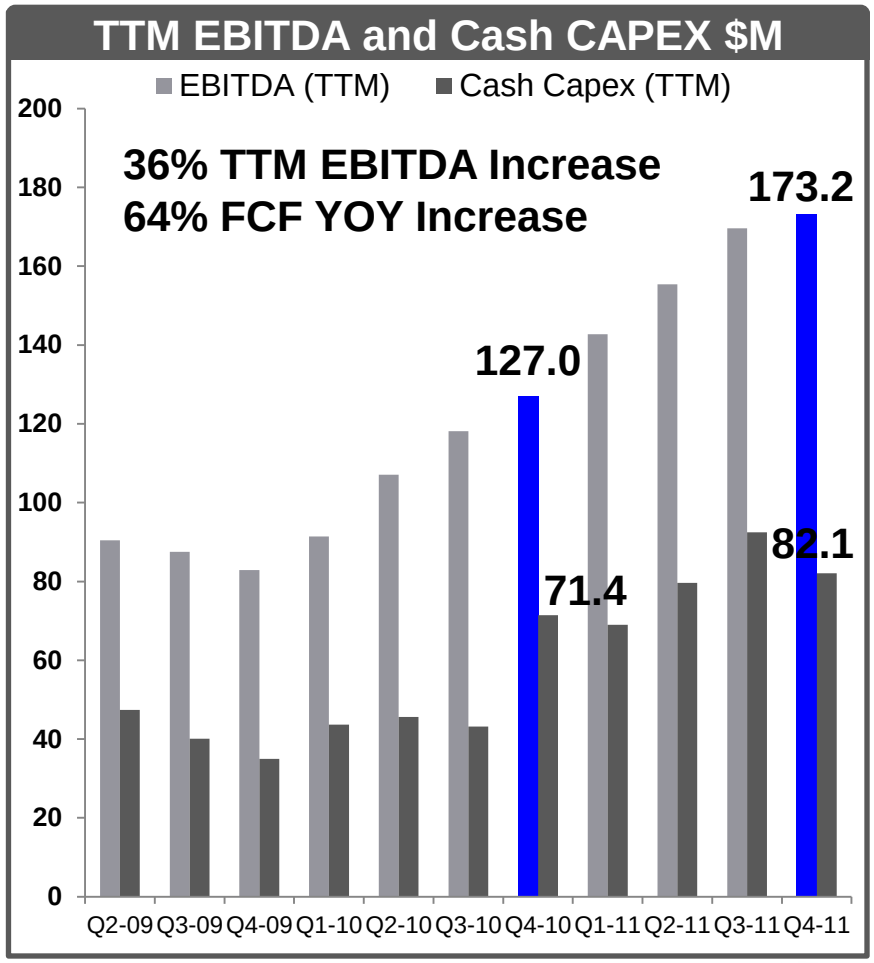
Q4-2011: $25.7 M



- **Revenue Increase of 4%**
- **High-end revenue (≥G8 and AMOLED) Increase of 50%**

Strong EBITDA and Free Cash Flow





Note: EBITDA defined as operating income plus D&A, stock-based compensation and other non-recurring charges/(credits); cash capex defined as cash payments of property, plant and equipment as reported in the cash flow statement

Capitalization (in millions)

	Y/E-10	Q3-11	Y/E-11
Cash	$ 99	$ 203	$ 190
$30 million revolving credit agreement 2.50% *(maturity Apr. 2015)*	$ 5	$ -	$ -
Senior unsecured 5.5% convertible *(maturity Oct. 2014)*	58	22	22
Senior unsecured 3.25% convertible *(maturity April 2016)*	-	115	115
Capital lease 5.6% due 2012 – *paid off early*	9	-	-
nanoFab capital lease 8.0% due 2013 – *paid off early*	16	-	-
Capital lease 3.09% due 2016	-	20	19
Customer obligation	2	2	2
Total Debt	$ 90	$ 159	$ 158
Net cash	$ 9	$ 44	$ 32
LTM EBITDA	$ 127	$ 170	$ 173
Total leverage	0.71x	.94x	0.91x

Q1-2012 Guidance (in millions, except EPS)

Q1 Revenues	$111 - $116
Taxes:	
Q1-2012	$2.0 - $3.5
FY-2012	$13 - $16
Cash Cap Ex - 2012	$60 - $80
Diluted Shares	76.5
Q1 EPS [1]	$0.07 - $0.11

[1] Excludes impact of Singapore and warrants