

PHOTRONICS INC  
Form 424B2  
June 22, 2005  
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Filed pursuant to Rule 424(b)(2)

Registration No. 333-125784

**Subject to Completion**

**Preliminary Prospectus Supplement Dated June 22, 2005**

**PROSPECTUS SUPPLEMENT**

(To prospectus dated June 21, 2005)

**7,450,000 Shares**  
**Photronics, Inc.**

**Common Stock**

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We are offering 7,000,000 shares of our common stock. The selling stockholder named in this prospectus supplement is offering 450,000 shares of common stock. We will not receive any proceeds from the sale of shares by the selling stockholder.

Our common stock is quoted on the Nasdaq National Market under the symbol PLAB. The last reported sale price of our common stock on the Nasdaq National Market on June 20, 2005 was \$25.20 per share.

**Investing in our common stock involves risks that are described under Risk Factors beginning on page S-7 of this prospectus supplement and page 7 of the accompanying prospectus.**

	<u>Per Share</u>	<u>Total</u>
Public offering price	\$	\$
Underwriting discount	\$	\$
Proceeds, before expenses, to Photronics.	\$	\$
Proceeds, before expenses, to the selling stockholder	\$	\$

The underwriters may also purchase up to an additional 1,050,000 shares from Photronics and up to an additional 67,500 shares from the selling stockholder at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus supplement to cover overallotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about \_\_\_\_\_, 2005.

\_\_\_\_\_  
*Joint Book-Running Managers*

**Merrill Lynch & Co.**

**JPMorgan**

**Morgan Stanley**

**Banc of America Securities LLC**

The date of this prospectus supplement is June \_\_\_\_\_, 2005.

Information in this prospectus supplement is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and neither we nor the selling stockholder is soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

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You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the selling stockholder has not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus or any incorporated documents is accurate only as of the date of the applicable document. Our business, financial condition, results of operations and prospects may have changed since that date.

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Neither we nor the selling stockholder is making an offer to sell or seeking an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

In this prospectus supplement, Photronics, our company, we, us, and our refer to Photronics, Inc. and its consolidated subsidiaries.

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**SUMMARY**

*This summary highlights selected information contained elsewhere in, or incorporated by reference into, this prospectus supplement or the accompanying prospectus. You should read the entire prospectus supplement and the accompanying prospectus carefully, including Risk Factors and the information in the documents incorporated by reference, including the consolidated financial statements and related notes, before making an investment decision. The information in this prospectus supplement, unless otherwise indicated, assumes no exercise by the underwriters of their overallotment option.*

**Photonics**

We are 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. Photomasks are used as masters to transfer circuit patterns onto semiconductor wafers and flat panel substrates during the fabrication of integrated circuits and a variety of flat panel displays and, to a lesser extent, other types of electrical and optical components. Integrated circuits are manufactured in layers, each having a distinct pattern which is etched onto a different photomask. The resulting series of photomasks is then used to image the circuit patterns onto each successive layer of a semiconductor wafer. Demand for photomasks is driven by both the amount of new semiconductor design activity and increases in the use of customized integrated circuits. As the complexity of integrated circuits has increased, so have the number, complexity and price per mask set of photomasks used in the manufacture of each semiconductor design.

At this time, state-of-the-art for integrated circuit and flat panel display masks is considered to be 65 nanometer, and Generation 6 and Generation 7 process technology, respectively, while 90 nanometer is in the very early stages of being moved into volume production. Today, 130 and 180 nanometer and Generation 3 through Generation 5 process technology constitute the majority of designs being fabricated in volume. We expect there to be a steady increase in 130 nanometer designs moving to wafer fabrication throughout fiscal 2005 and believe we are well positioned to service an increasing volume of this business through investments in manufacturing process and technology in the global regions where our customers are located. Recently, we have experienced growth in demand for flat panel display photomasks, which we currently supply to customers from our existing facility in Korea. We are commencing construction on two new photomask facilities, one in Taichung, Taiwan and one in Shanghai, China. Our new facility in Taiwan will be able to serve the demand for large area mask solutions to support Taiwan's expanding flat panel display fabrication industry. Completion of these facilities is expected in 2006.

We operate principally from nine manufacturing facilities, three of which are located in the United States, three in Europe, and one each in Korea, Singapore and Taiwan. We currently support customers across the full spectrum of integrated circuit production and flat panel technologies by manufacturing photomasks using electron beam or laser-based technologies. Electron beam and laser-based systems are the predominant technologies used for photomask manufacturing, and we currently own a number of electron beam and laser-based systems. The ability to manufacture high quality photomasks within short time periods is dependent upon efficient manufacturing methods, high yield and high equipment reliability. We work to meet these requirements by making significant investments in manufacturing and data processing systems and statistical process control methods to optimize the manufacturing process and reduce cycle times. We continue to make substantial investments in equipment to inspect and repair photomasks to ensure that customer specifications are met.

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The market for photomasks primarily consists of domestic and foreign semiconductor and flat panel display manufacturers and designers. We conduct our sales and marketing activities primarily through a staff of full-time sales personnel and customer service representatives who work closely with our management and technical personnel. In addition to the sales personnel at our manufacturing facilities, we have sales offices throughout the United States, Europe and Asia.

During fiscal year 2004, we sold our products and services to approximately 600 customers, and our largest customers included Atmel Corp., Chartered Semiconductor Manufacturing Ltd., Fairchild Semiconductor Intl. Inc., Freescale Semiconductor, Inc. (Motorola Inc.), Hynix Semiconductor, Jazz Semiconductor, Inc., LG Philips LCD Co., Ltd., Macronix International Co., Ltd., Maxim Integrated Products, Inc., National Semiconductor Corporation, ON Semiconductor Corporation, Philips Semiconductor Manuf., Inc., Polarfab LLC, Samsung Electronics Co., Ltd., Silterra Malaysia Sdn. Bhd., Skyworks Solutions, Inc., ST Microelectronics, Inc., Systems on Silicon Mfg. Co., Pte Ltd., Texas Instruments Incorporated and United Microelectronics Corp. Samsung Electronics Co., Ltd. accounted for approximately 18%, 16% and 10% of our net sales in fiscal 2004, 2003 and 2002, respectively. Our five largest customers, in the aggregate, accounted for approximately 40% of our net sales in fiscal 2004 and 36% of our net sales in each of fiscal 2003 and 2002.

We conduct ongoing research and development activities in four of our advanced manufacturing locations covering all major regions represented by our customer base, in order to maintain our leadership in technology and manufacturing efficiency. We also conduct research and development activities in modeling and simulation necessary for effective integration of the most advanced mask-based optical lithography solutions. Currently these activities are focused on 65 nanometer and 45 nanometer node lithography, but we believe these core competencies will continue to be a critical part of semiconductor manufacturing as optical lithography continues to scale device capabilities below 65 nanometer.

Photomasks are manufactured by independent manufacturers like us, and by captive manufacturers, which are semiconductor manufacturers that produce photomasks exclusively for their own use. Since the mid-1980s, there has been a trend in Asia, Europe and North America toward the divestiture or closing of captive photomask operations by semiconductor manufacturers and an increase in the share of the market served by independent manufacturers. We estimate that for the types of photomasks we manufacture in North America, the size of the total market (captive and merchant) is approximately \$500 million and the rest of the world is estimated to be approximately \$2.0 billion.

Photronics, Inc. is a Connecticut corporation organized in 1969. Our principal executive offices are located at 15 Secor Road, Brookfield, Connecticut 06804 and our telephone number is (203) 775-9000. Our website can be found at <http://www.photronics.com>. Information contained in our website does not constitute part of this prospectus supplement or the accompanying prospectus.

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**The Offering**

Common stock offered by:

Photronics	7,000,000 shares
Selling stockholder	<u>450,000 shares</u>
Total	7,450,000 shares

Common stock to be outstanding after this offering 39,965,612 shares

Use of proceeds Our net proceeds from this offering will be approximately \$ million (or \$ million if the underwriters exercise their overallotment option in full). We intend to use the net proceeds for working capital and general corporate purposes, including potential acquisitions and repayment of debt.

Nasdaq National Market symbol PLAB

The number of shares of common stock outstanding as of June 1, 2005 was 32,965,612 shares. The number of outstanding shares as of June 1, 2005 excludes:

58,719 shares available for issuance under our employee stock purchase plan; and

An aggregate of 3,363,741 shares of our common stock reserved for issuance under our stock option plans, 2,705,051 shares of our common stock reserved for issuance upon the conversion of our 4¾% convertible subordinated notes due 2006 and 9,440,640 shares of common stock reserved for issuance upon the conversion of our 2¼% convertible subordinated notes due 2008.

The underwriters have a 30-day option to purchase up to 1,050,000 additional shares from us and 67,500 additional shares from the selling stockholder to cover overallotments. Unless otherwise indicated, the information in this prospectus supplement assumes no exercise by the underwriters of their overallotment option.





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Short-term debt	33	33
Long-term debt	262,665	262,665
Total shareholders' equity	377,155	544,797

- (1) As adjusted to reflect the receipt and application of the net proceeds of the sale by us of 7,000,000 shares of common stock in this offering at the assumed public offering price of \$25.20 per share, less underwriting discounts and commissions and our estimated offering expenses.

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**RISK FACTORS**

*An investment in our common stock involves a high degree of risk. You should carefully consider the risks described under the heading "Risk Factors" beginning on page 7 of the accompanying prospectus and the risks described below, together with the other information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference in this prospectus supplement before buying shares of our common stock.*

*Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The market price of our common stock could decline if one or more of these risks and uncertainties develop into actual events, and you may lose all or part of your investment. Some of the statements in "Risk Factors" are forward-looking statements. See "Forward-Looking Information" .*

**Risks Relating to Our Business**

For a description of risks affecting our business, see the discussion under the heading "Risk Factors" beginning on page 7 of the accompanying prospectus.

**Risks of Investing in Our Common Stock**

*Our stock price may continue to experience large short-term fluctuations.*

In recent years, the price of our common stock has fluctuated greatly. These price fluctuations have been rapid and severe and have left investors little time to react. The price of our common stock may continue to fluctuate greatly in the future due to a variety of factors, many of which are beyond our control, including:

quarter to quarter variations in our operating results;

shortfalls in our sales or earnings from levels expected by securities analysts;

announcements of technological innovations or new products by us or other companies;

slowdowns or downturns in the semiconductor or flat panel display industry;

changes in our relationships with our customers;

general stock market trends; and

any adverse geopolitical events.

*Our charter documents and Connecticut law could discourage or prevent a potential takeover, even if the transaction would benefit our stockholders.*

Anti-takeover provisions in our certificate of incorporation, as amended, and bylaws and Connecticut law may deter unfriendly offers or other efforts to obtain control over us, even though such efforts could result in benefits to our stockholders, including an increase in the value of our common stock. These provisions may also adversely affect prevailing market prices for our common stock.

Anti-takeover provisions in our certificate of incorporation and bylaws, among other things:

allow our board of directors to issue blank check preferred stock without stockholder approval, establishing the rights, including voting rights, preferences and limitations of such preferred stock;

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limit the persons who may call special meetings of stockholders; and

prohibit stockholder action by written consent in the absence of unanimous consent.

Connecticut laws that might impact a takeover of us, among other things:

prohibit us from engaging in certain business combinations such as a merger, sale or consolidation with an interested shareholder for a period of five years after the date of such interested shareholder's stock acquisition, unless the business combination or stock acquisition is approved by our board of directors and by a majority of our non-employee directors prior to such interested shareholder's stock acquisition date. A person is an interested shareholder if that person is the direct or indirect beneficial owner of more than 10% of our voting power or is an affiliate or associate of us and owned 10% or more of our voting power within the past five years;

require the affirmative vote of at least two-thirds of the voting power of each class of our voting stock that is entitled to vote to approve a merger, share exchange or any sale, lease exchange or other disposition of all or substantially all of our assets;

require any person who makes a tender offer for us to submit a filing to the Connecticut Banking Commissioner who has the right to review the terms of the tender offer and delay or deny the effectiveness of the tender offer under certain circumstances;

require that certain business combinations be approved by 80% of the voting power of the outstanding shares of voting stock of a corporation and two-thirds of the voting power of the outstanding shares of voting stock of a corporation other than voting stock held by any interested shareholder who is a party to the business combination, unless such business combination has been approved by the corporation's board of directors prior to the time that such interested shareholder first became an interested shareholder or unless certain statutory requirements are satisfied; and

in the event that we have less than 100 shareholders of record, require the affirmative vote of at least two-thirds of the voting power of each voting group entitled to vote in order to amend our certificate of incorporation.

These anti-takeover provisions and provisions of Connecticut law could make us less attractive to a potential acquirer and deprive you of the opportunity to sell your common stock at a premium price.

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**FORWARD-LOOKING INFORMATION**

Statements contained in this prospectus supplement and the accompanying prospectus, including the documents that are incorporated by reference as set forth under the heading "Where You Can Find More Information" in the accompanying prospectus, that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are based on management's beliefs, as well as assumptions made by and information currently available to management. These statements involve known and unknown risks, uncertainties and other factors that may cause our or our industry's results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, those listed under "Risk Factors" and elsewhere in this prospectus supplement and in the accompanying prospectus. In some cases, you can identify forward-looking statements by terminology such as may, will, should, intend, expect, plan, anticipate, believe, estimate, predict, potential or continue or the negative comparable terminology.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, events, levels of activity, performance or achievements. We do not assume responsibility for the accuracy and completeness of the forward-looking statements. We do not intend to update any of the forward-looking statements after the date of this prospectus supplement to conform them to actual results.

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We expect to receive net proceeds from the sale of 7,000,000 shares of common stock of approximately \$ million (or \$ million if the underwriters exercise their overallotment option in full). We intend to use the net proceeds from this offering for working capital and general corporate purposes, including potential acquisitions and repayment of debt. We will not receive any proceeds from the sale of shares of common stock by the selling stockholder.

**DIVIDEND POLICY**

We have not paid any cash dividends to date and, for the foreseeable future, we anticipate that earnings will continue to be retained for use in our business. Our current credit facility, which expires in July 2005, restricts, and any replacement credit facility we enter into is likely to restrict, the payment of cash dividends.

**PRICE RANGE OF OUR COMMON STOCK**

Our common stock is quoted on the Nasdaq National Market under the symbol PLAB. The following table sets forth for the periods indicated the high and low daily sales prices of our common stock as reported by the Nasdaq.

	<b>High</b>	<b>Low</b>
<b>Year Ended November 2, 2003</b>		
First Quarter	\$ 17.50	\$ 9.00
Second Quarter	13.53	10.00
Third Quarter	20.05	12.59
Fourth Quarter	26.00	16.10
<b>Year Ended October 31, 2004</b>		
First Quarter	\$ 22.82	\$ 16.36
Second Quarter	21.09	14.83
Third Quarter	19.02	13.33
Fourth Quarter	19.31	12.60
<b>Year Ending October 30, 2005</b>		
First Quarter	\$ 19.29	\$ 14.27
Second Quarter	18.99	14.80
Third Quarter (through June 20, 2005)	25.96	15.75

On June 20, 2005, the last reported sale price of our common stock on the Nasdaq was \$25.20. As of June 1, 2005, there were 32,965,612 shares of our common stock outstanding held by approximately 292 holders of record.

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The following table sets forth our cash, cash equivalents and short-term investments and unaudited capitalization as of May 1, 2005:

on an actual basis; and

on an as adjusted basis to reflect the receipt and application of the net proceeds of the sale by us of 7,000,000 shares of common stock in this offering at the assumed public offering price of \$25.20 per share, less underwriting discounts and commissions and our estimated offering expenses.

	<b>As of</b>	
	<b>May 1, 2005</b>	
	<b>Actual</b>	<b>As Adjusted</b>
	<b>(in thousands)</b>	
	<b>(unaudited)</b>	
Cash, cash equivalents and short-term investments	\$ 160,266	\$ 327,908
Long-term debt:		
Collateralized term debt	\$ 33	\$ 33