

3/9/2006

Universal Display Corporation Announces Fourth Quarter and Year End 2005 Results

EWING, N.J. ([BUSINESS WIRE](#)) Universal Display Corporation (NASDAQ:PANL), a leading developer of organic light emitting diode (OLED) technologies for flat panel displays, lighting, and other opto-electronic applications, today announced results for the fourth quarter and year end 2005.

For the twelve months ended December 31, 2005, Universal Display had revenues of \$10,147,995, compared to \$7,006,913 in 2004. Revenues continued to grow year-over-year, driven by contract research revenue and development chemicals sales revenue, both of which indicate increased pre-commercial activity in the development and commercialization of Universal Display's proprietary phosphorescent OLED (PHOLED(TM)) technology. For the year, the Company reported a net loss attributable to common shareholders of \$15,801,612 or \$(0.56) per diluted share, versus a net loss of \$15,906,198, or \$(0.59) per diluted share in 2004.

"In 2005, Universal Display continued to build a solid foundation for future growth in the display industry"

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Net cash used in operating activities was only \$345,059 for the year ended December 31, 2005, compared to \$6,965,083 for the year ended December 31, 2004. The decrease in cash used in operating activities was due primarily to the increase in revenues, increased deferred license fees and deferred revenues, offset partially by an increase in total operating expenses.

The Company had cash, cash equivalents, short-term and long-term investments of \$49,673,199 at December 31, 2005, compared to \$47,479,495 as of December 31, 2004. In addition, deferred license fees and deferred revenue grew to \$9,785,155 at December 31, 2005, from \$5,783,334 as of December 31, 2004.

For the three months ended December 31, 2005, Universal Display had revenues of \$2,296,062, compared to \$1,693,271 in the fourth quarter of 2004. For the fourth quarter of 2005, the Company reported a net loss of \$4,641,591, or \$(0.17) per diluted share, versus a net loss of \$3,525,664, or \$(0.11) per diluted share for the fourth quarter of 2004. Universal Display was cash flow positive from operations for the second consecutive quarter, with net cash provided from operating activities of \$552,216 for the fourth quarter of 2005.

"In 2005, Universal Display continued to build a solid foundation for future growth in the display industry," said Sidney D. Rosenblatt, Chief Financial Officer of Universal Display. "We generated consistent improvement in our financial fundamentals, with revenues and operating cash flow exhibiting continued traction, and we end the year with a solid balance sheet. At the same time, we established a robust platform for OLED research and commercialization with the expansion of our headquarters facility. We believe that 2006 will show a number of financial and technological advances for Universal Display."

Universal Display will host a conference call, followed by a question and answer session, on March 9th at 5:00 p.m. Eastern Time. Interested parties may participate by calling 973-409-9254 at 4:55 p.m. Eastern Time and referencing conference PIN 7087144. A taped replay of the conference call will be available within two hours of the conclusion of the call and will remain available through Thursday, March 23, 2006. The number to call for the taped replay is 973-341-3080 and the conference PIN is 7087144.

The conference call will be simultaneously broadcast live over the Internet through a webcast on the Universal Display website. To access the call, please visit the website at <http://www.universaldisplay.com/investors.htm>. An online archive of the webcast will be available within two hours of the conclusion of the call.

About Universal Display Corporation

Universal Display Corporation is a world leader in developing and commercializing innovative OLED technologies and materials for use in the electronic flat panel display, lighting and other opto-electronic markets. Universal Display is working with a network of world-class organizations including Princeton University, the University of Southern California, and PPG Industries. The Company has established approximately 25 development programs and other similar relationships with companies such as Tohoku Pioneer Corporation; Samsung SDI Co.; AU Optronics Corporation; DuPont Displays, Inc.; Seiko Epson Corporation; Sony Corporation; and Toyota Industries Corporation. The Company has also licensed its OVPD technology to AIXTRON AG for the development of next-generation OLED manufacturing equipment. Universal Display currently owns or has exclusive or sole license rights in approximately 750 issued and pending patents worldwide.

Universal Display is located in the Princeton Crossroads Corporate Center in Ewing, New Jersey, minutes away from its research partner at Princeton University. Universal Display's state-of-the-art facility is designed to further technology and materials development, technology transfer to manufacturing partners and work with customers to develop products to meet their needs for OLED products. Visit Universal Display on the Web at www.universaldisplay.com.

All statements in this document that are not historical, such as those relating to Universal Display Corporation's technologies and potential applications of those technologies, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on any forward-looking statements in this document, as they reflect Universal Display Corporation's current views with respect to future events and are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated. These risks and uncertainties are discussed in greater detail in Universal Display Corporation's periodic reports on Form 10-K and Form 10-Q filed with the Securities and Exchange Commission, including, in particular, the section entitled 'Risk Factors' in Universal Display Corporation's annual report on Form 10-K for the year ended December 31, 2005. Universal Display Corporation expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in this document.

UNIVERSAL DISPLAY CORPORATION AND SUBSIDIARY CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31,	
	2005	2004
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 30,654,249	\$ 18,930,581
Short-term investments	17,190,242	26,258,463
Accounts receivable	1,944,099	2,588,279
Inventory	36,431	19,941
Other current assets	497,746	237,927
Total current assets	50,322,767	48,035,191
PROPERTY AND EQUIPMENT, net	13,553,611	9,551,532
ACQUIRED TECHNOLOGY, net	8,014,559	9,709,631

INVESTMENTS	1,828,708	2,290,451
RESTRICTED CASH	--	4,200,000
OTHER ASSETS	99,772	105,358

\$ 73,819,417 \$ 73,892,163
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LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:

Current portion of long-term debt	\$ --	\$ 300,000
Accounts payable	1,249,576	723,512
Accrued expenses	5,168,223	3,697,432
Deferred license fees	3,478,267	1,766,667
Deferred revenue	2,078,788	916,667

Total current liabilities 11,974,854 7,404,278

DEFERRED LICENSE FEES	3,478,100	3,100,000
DEFERRED REVENUE	750,000	--
LONG-TERM DEBT, less current portion	--	4,200,000

16,202,954 14,704,278

COMMITMENTS

SHAREHOLDERS' EQUITY:

Preferred Stock, par value \$0.01 per share, 5,000,000 shares authorized, 200,000 shares of Series A Nonconvertible Preferred Stock issued and outstanding (liquidation value of \$7.50 per share or \$1,500,000)	2,000	2,000
Common Stock, par value \$0.01 per share, 50,000,000 shares authorized, 29,545,471 and 27,903,385 shares issued and outstanding	295,455	279,034
Additional paid-in-capital	187,609,407	173,372,344
Deferred compensation	--	(17,446)
Accumulated other comprehensive loss	(120,577)	(79,837)
Accumulated deficit	(130,169,822)	(114,368,210)

Total shareholders' equity 57,616,463 59,187,885

\$ 73,819,417 \$ 73,892,163

UNIVERSAL DISPLAY CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Three Months Ended December 31,
(unaudited)

2005 2004

REVENUE:

Contract research revenue	\$ 884,505	\$ 710,396
Development chemical revenue	626,043	691,668
Commercial chemical revenue	-	39,600
Royalty and license revenue	67,900	101,070
Technology development revenue	717,614	150,537

Total revenue	2,296,062	1,693,271
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OPERATING EXPENSES:

Cost of chemicals sold	25,834	19,615
Research and development	5,292,286	4,053,744
General and administrative	2,309,678	1,899,206
Royalty expense	147,829	87,500

Total operating expenses	7,775,627	6,060,065
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Operating loss	(5,479,565)	(4,366,794)
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INTEREST INCOME	454,562	211,394
INTEREST EXPENSE	(40,795)	(13,942)
OTHER REVENUE	--	30,712

LOSS BEFORE INCOME TAX BENEFIT	(5,065,798)	(4,138,630)
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INCOME TAX BENEFIT	424,207	612,966
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NET LOSS	(4,641,591)	(3,525,664)
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NET LOSS ATTRIBUTABLE TO COMMON

SHAREHOLDERS	\$ (4,641,591)	\$ (3,525,664)
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BASIC AND DILUTED NET LOSS PER COMMON

SHARE	\$ (0.17)	\$ (0.11)
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WEIGHTED AVERAGE SHARES USED IN
COMPUTING BASIC AND DILUTED NET LOSS

PER COMMON SHARE	28,952,333	27,810,828
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UNIVERSAL DISPLAY CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Year Ended December 31,

2005	2004
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REVENUE:

Contract research revenue	\$ 4,653,981	\$ 2,621,636
Development chemical revenue	3,503,685	2,484,070
Commercial chemical revenue	31,395	147,600
Royalty and license revenue	233,555	403,070
Technology development revenue	1,725,379	1,350,537

Total revenue	10,147,995	7,006,913
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OPERATING EXPENSES:

Cost of chemicals sold	109,781	155,283
Research and development	19,183,390	16,651,335
General and administrative	7,704,931	7,052,047
Royalty expense	610,098	350,000

Total operating expenses	27,608,200	24,208,665
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Operating loss	(17,460,205)	(17,201,752)
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INTEREST INCOME	1,419,858	795,620
INTEREST EXPENSE	(185,472)	(14,120)
OTHER REVENUE	--	30,712

LOSS BEFORE INCOME TAX BENEFIT	(16,225,819)	(16,389,540)
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INCOME TAX BENEFIT	424,207	612,966
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NET LOSS	(15,801,612)	(15,776,574)
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DEEMED DIVIDENDS (Notes 8 and 9)	--	(129,624)
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NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ (15,801,612)	\$ (15,906,198)
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BASIC AND DILUTED NET LOSS PER COMMON SHARE	\$ (0.56)	\$ (0.59)
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WEIGHTED AVERAGE SHARES USED IN COMPUTING BASIC AND DILUTED NET LOSS PER COMMON SHARE	28,462,925	26,791,158
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UNIVERSAL DISPLAY CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31,

2005	2004
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CASH FLOWS USED IN OPERATING ACTIVITIES:

Net loss		\$(15,801,612)	\$(15,776,574)
Non-cash charges to statement of operations:			
Depreciation	1,654,826	1,398,636	
Amortization of intangibles	1,695,072	1,695,072	
Amortization of premium and discount on investments	(112,747)	(24,143)	
Issuance of common stock to employees	17,446	1,738,549	
Issuance of common stock options and warrants for services	(4,225)	(5,484)	
Issuance of common stock, options and warrants in connection with Development Agreement	3,886,150	3,356,146	
Issuance of common stock to Board of Directors and Scientific Advisory Board	726,004	643,720	
(Increase) decrease in assets:			
Accounts receivable	644,180	(1,782,677)	
Inventory	(16,490)	13,103	
Other current assets	(259,819)	(84,003)	
Other assets	5,586	29,415	
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	3,218,749	883,694	
Deferred license fees	2,089,700	500,000	
Deferred revenue	1,912,121	449,463	
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Net cash used in operating activities		(345,059)	(6,965,083)

CASH FLOWS PROVIDED BY (USED IN)

INVESTING ACTIVITIES:

Purchases of property and equipment	(5,656,905)	(7,418,053)
Purchases of investments	(22,791,027)	(48,653,858)
Proceeds from sale of investments	32,393,001	36,155,365

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Net cash provided by (used in) investing activities	3,945,069	(19,916,546)

CASH FLOWS PROVIDED BY FINANCING

ACTIVITIES:

Net proceeds from issuance of common stock	--	28,522,249
Proceeds from Loan	--	4,500,000
Repayment of Loan	(4,500,000)	--
Restricted Cash	4,200,000	(4,200,000)
Proceeds from the exercise of common stock options and warrants	8,423,658	2,923,640
Principal payments on capital lease	--	(3,886)

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Net cash provided by financing activities	8,123,658	31,742,003

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,723,668	4,860,374
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