UNIVERSAL DISPLAY CORPORATION

8/9/2006

Universal Display Corporation Announces Second Quarter 2006 Financial Results

EWING, N.J. (BUSINESS WIRE) Universal Display Corporation (NASDAQ:PANL), the Company that's lighting the way in developing and commercializing OLED technology for flat panel displays, lighting, electronic communications and other opto-electronics with its proprietary PHOLED(TM) phosphorescent OLED technology, today announced its results of operations for the quarter ended June 30, 2006.

Revenues for the three months ended June 30, 2006 were $3,009,316, compared to $3,011,995 in the second quarter of 2005. Revenue components in the second quarter of 2006, when compared to the second quarter of 2005 were: commercial chemical revenues $336,365, compared to $0; license fee revenues $807,185, compared to $42,000; technology development revenues $667,613, compared to $331,818; development chemical revenues $296,624, compared to $1,123,852; and contract research revenues $901,529, compared to $1,514,325, respectively.

“Total revenues for the quarter remained stable”

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Revenues were substantially the same this quarter compared to the second quarter in 2005, with decreases in contract research revenues and development chemical revenues. These declines were offset by increases in license fee revenues, commercial chemical revenues, and technology development revenues. The Company's revenue mix continues to shift as its proprietary PHOLED technology is being commercialized.

Universal Display reported a net loss of $4,312,651 (or $0.14 per share) for the quarter ended June 30, 2006, compared to a net loss of $3,189,980 (or $0.11 per share) for the same quarter in 2005. The increase in net loss was attributable to an increase of $1,387,736 in total operating expenses in the second quarter of 2006, as compared to the second quarter of 2005. This increase is associated with higher personnel costs relating to the Company's hiring of additional OLED research and development material scientists and increased operating costs for the newly expanded facility.

Revenues for the six-month period ended June 30, 2006 were $6,280,722, compared to $4,479,062 for the same period in 2005. The Company's net loss for the six-month period was $7,834,691 (or $0.26 per share), compared to a net loss of $8,180,882 (or $0.29 per share) for the same six-month period in 2005.

Net cash used in operating activities was $5,615,675 for the six months ended June 30, 2006, compared to $1,984,586 for the same period in 2005. The increased usage was mainly attributable to a decrease in deferred revenue and license fees during the quarter, an increase in accounts receivable and other assets, and a reduction in accounts payable and accrued expenses.

"Total revenues for the quarter remained stable," said Sidney Rosenblatt, Chief Financial Officer of Universal Display Corporation. "Our revenue mix continues to shift as we recognize more from fees associated with our licensing agreements and revenues from the sale of commercial chemicals. We expect this trend to continue as our PHOLED technology is more broadly commercialized; however, revenues will remain difficult to predict on a quarter-to-quarter basis."

Universal Display will host a conference call, followed by a question and answer session, on August 9th at 5:00 p.m. Eastern Time. Interested parties may participate by calling 973-582-2839 at 4:55 p.m. Eastern Time and referencing

conference PIN 7689427. A taped replay of the conference call will be available within two hours of the conclusion of the call and will remain available through Wednesday, August 23, 2006. The number to call for the taped replay is 973-341-3080 and the conference PIN is 7689427.

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.

To see how Universal Display is changing the face of the display industry, please visit the Company at http://www.universaldisplay.com.

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, electronic communications and other opto-electronic markets. Universal Display is working with a network of world-class organizations including Princeton University, the University of Southern California, the University of Michigan and PPG Industries. The Company has also established more than 20 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 rights in approximately 725 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 disclaims any obligation to update any forward-looking statement contained in this document.

UNIVERSAL DISPLAY CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended June 30,	
	2006	2005
REVENUE:		

Contract research	$ 901,529	$ 1,514,325
Development chemical	296,624	1,123,852
Commercial chemical	336,365	--
License fees	807,185	42,000
Technology development fees	667,613	331,818
Total revenue	3,009,316	3,011,995
OPERATING EXPENSES:		
Cost of chemicals sold	44,933	12,303
Research and development	5,416,226	4,552,047
General and administrative	2,234,535	1,760,402
Royalty and license expense	166,794	150,000
Total operating expenses	7,862,488	6,474,752
Operating loss	(4,853,172)	(3,462,757)
INTEREST INCOME	544,626	320,930
INTEREST EXPENSE	(4,105)	(48,153)
NET LOSS	$(4,312,651)	$(3,189,980)
BASIC AND DILUTED NET LOSS PER COMMON SHARE	$ (0.14)	$ (0.11)
WEIGHTED AVERAGE SHARES USED IN COMPUTING BASIC AND DILUTED NET LOSS PER COMMON SHARE	30,982,309	28,246,338

UNIVERSAL DISPLAY CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Six Months Ended June 30,	
	2006	2005
REVENUE:		
Contract research	$ 1,437,590	$ 2,213,380

Development chemical	972,530	1,537,214
Commercial chemical	734,844	31,395
License fees	1,738,031	115,255
Technology development fees	1,397,727	581,818
Total revenue	6,280,722	4,479,062
OPERATING EXPENSES:		
Cost of chemicals sold	123,374	39,170
Research and development	10,417,298	9,157,372
General and administrative	4,232,227	3,655,265
Royalty and license expense	353,319	300,000
Total operating expenses	15,126,218	13,151,807
Operating loss	(8,845,496)	(8,672,745)
INTEREST INCOME	1,019,016	583,093
INTEREST EXPENSE	(8,211)	(91,230)
NET LOSS	$(7,834,691)	$(8,180,882)
BASIC AND DILUTED NET LOSS PER COMMON SHARE	$ (0.26)	$ (0.29)
WEIGHTED AVERAGE SHARES USED IN COMPUTING BASIC AND DILUTED NET LOSS PER COMMON SHARE	30,508,972	28,137,649

UNIVERSAL DISPLAY CORPORATION AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	June 30, 2006	December 31, 2005
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 25,194,983	$ 30,654,249
Short-term investments	21,078,855	17,190,242
Accounts receivable	2,533,583	1,944,099
Inventory	97,987	36,431

Other current assets	701,181	497,746
Total current assets	49,606,589	50,322,767
PROPERTY AND EQUIPMENT, net	14,220,250	13,553,611
ACQUIRED TECHNOLOGY, net	7,167,024	8,014,559
INVESTMENTS	1,557,707	1,828,708
OTHER ASSETS	104,772	99,772
TOTAL ASSETS	$ 72,656,342	$ 73,819,417
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 1,146,241	$ 1,249,576
Accrued expenses	3,546,396	5,168,223
Deferred license fees	4,228,267	3,478,267
Deferred revenue	768,561	2,078,788
Total current liabilities	9,689,465	11,974,854
DEFERRED LICENSE FEES	3,222,300	3,478,100
DEFERRED REVENUE	750,000	750,000
Total liabilities	13,661,765	16,202,954
COMMITMENTS AND CONTINGENCIES		
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, 31,127,006 and 29,545,471 shares issued and outstanding	311,270	295,455
Additional paid-in-capital	196,807,455	187,609,407
Accumulated other comprehensive loss	(121,635)	(120,577)
Accumulated deficit	(138,004,513)	(130,169,822)
Total shareholders' equity	58,994,577	57,616,463
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 72,656,342	$ 73,819,417

UNIVERSAL DISPLAY CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six months ended June 30,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(7,834,691)	$(8,180,882)
Non-cash charges to statement of operations:		
Depreciation	902,613	738,114
Amortization of intangibles	847,535	847,536
Amortization of premium and discount on investments	(71,031)	(77,446)
Common stock, options and warrants issued in connection with Development Agreement	1,955,101	2,729,703
Common stock and options issued to employees	430,882	750,490
Common stock and options issued to Board of Directors and Scientific Advisory Board	--	526,551
Common stock options and warrants issued for services	105,011	(6,713)
(Increase) decrease in assets:		
Accounts receivable	(589,484)	413,001
Inventory	(61,556)	(19,750)
Other current assets	(203,435)	(176,026)
Other assets	(5,000)	(4,414)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(275,593)	(1,350,932)
Deferred license fees	494,200	1,208,001
Deferred revenue	(1,310,227)	618,181
Net cash used in operating activities	(5,615,675)	(1,984,586)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,569,252)	(2,710,465)
Purchases of investments	(11,300,639)	(7,099,319)
Proceeds from sale of investments	7,753,000	24,807,000
Net cash (used in) provided by investing activities	(5,116,891)	14,997,216

CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the exercise of common stock options and warrants	5,273,300	863,562
Payment of loan	--	(150,000)
Restricted cash	--	150,000
Net cash provided by financing activities	5,273,300	863,562
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,459,266)	13,876,192
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	30,654,249	18,930,581
CASH AND CASH EQUIVALENTS, END OF PERIOD	$25,194,983	$32,806,773
Cash paid for interest	$ --	$ 89,229

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