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Universal Display Corporation Announces Second Quarter 2007 Financial Results

EWING, N.J.--([BUSINESS WIRE](#))--Universal Display Corporation (NASDAQ:PANL), a key innovator behind tomorrow's displays and lighting through its phosphorescent OLED technology, today announced its results for the second quarter ended June 30, 2007.

"While we continue to experience a shift in our revenue mix as our technology is commercialized, we have and expect to continue to experience fluctuations in revenues as the market for our OLED technology continues to develop"

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Revenues for the three months and six months ended June 30, 2007 were \$2,315,170 and \$5,329,800, respectively, compared to \$3,009,316 and \$6,280,722 for the same periods in 2006. Revenue components for the second quarter and first six months of 2007 were as follows:

Commercial chemical revenues were \$229,631 and \$1,542,631, for the three months and six months ended June 30, 2007, respectively, compared to \$336,365 and \$734,844 for the same periods in 2006. Commercial chemical revenue for the first six months of 2007 was positively impacted by material shipments almost entirely to Samsung SDI. In 2006, commercial chemical revenue was mainly from material shipments to AU Optronics.

Royalty and license revenues were \$163,295 and \$291,195 for three months and six months ended June 30, 2007, respectively, compared to \$807,185 and \$1,738,031 for the same periods in 2006. Royalty and license revenue decreased in both periods of 2007 due to AU Optronics discontinuing its purchase of materials for which in 2006 we recognized both commercial chemical and license revenue, unlike the agreement with Samsung SDI for which royalties will be recorded after Samsung SDI sells the products.

Technology development revenues were \$250,000 and \$500,000 for the three months and six months ended June 30, 2007, compared to \$667,613 and \$1,397,727 for the same periods in 2006. The decrease was due to the completion of work on certain technology development agreements.

Development chemical revenues were \$366,998 and \$576,204 for the three months and six months ended June 30, 2007, compared to \$296,624 and \$972,530 for the same periods in 2006. The decrease for the six month period was primarily attributable to the transition of Samsung SDI from development to commercial chemical sales.

Contract research revenues were \$1,305,246 and \$2,419,770 for the three months and six months ended June 30, 2007, compared to \$901,529 and \$1,437,590 for same periods in 2006. The growth in contract research revenue reflects additional activity under government contracts with the U.S. Departments of Defense and Energy for flexible OLED displays and OLEDs for lighting and the timing of payments received under existing government contracts.

Operating expenses totalled \$8,313,675 and \$16,497,065 for the three months and six months ended June 30, 2007, compared to \$7,862,488 and \$15,126,218 for the same periods in 2006. Operating expenses are consistent with the Company's expectations on a quarter-to-quarter basis, and encompass increased research and development staffing, and operating expenses associated with the Company's expanded facility in Ewing, New Jersey.

For the second quarter of 2007, the Company reported a net loss of \$5,175,371 or \$(0.16) per diluted share, versus a net

loss of \$4,312,651 or \$(0.14) per diluted share for the second quarter of 2006. The Company's net loss for the six month period was \$9,759,172, or \$(0.30) per diluted share, compared to a net loss of \$7,834,691, or \$(0.26) per diluted share, for the same period in 2006.

Net cash used in operating activities was \$6,874,526 for the six months ended June 30, 2007, compared to \$5,615,675 for the comparable prior-year period. The increased usage was mainly attributable to decreased revenues and increased operating expenses.

The Company had a strong balance sheet at quarter end, with cash, cash equivalents, short-term and long-term investments of \$84,339,097 as of June 30, 2007, compared to \$49,098,055 as of December 31, 2006. The increase in the cash position reflects proceeds from the Company's offering of 2.8 million shares of its common stock at a price of \$14.50 per share during the second quarter.

"While we continue to experience a shift in our revenue mix as our technology is commercialized, we have and expect to continue to experience fluctuations in revenues as the market for our OLED technology continues to develop," said Sidney D. Rosenblatt, Chief Financial Officer of Universal Display. "The next year will be an important time for Universal Display as we continue to advance our PHOLED technology for displays and lighting applications, and as display manufacturers continue to incorporate our OLED technology and materials into their commercial products. We believe that the Company is in a strong technological and financial position as it enters a new era in display technology."

In conjunction with this release, Universal Display will host a conference call, followed by a question and answer session, today (Thursday, August 9th) at 5:00 p.m. Eastern Time. Interested parties may participate by calling 973-321-1024 at 4:55 p.m. Eastern Time and referencing conference PIN 9030705. 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, August 23, 2007. The number to call for the taped replay is 973-341-3080 and the conference PIN is 9030705.

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 flat panel displays, solid-state lighting products, electronic communications and other opto-electronic devices. 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, Inc. Universal Display has also established numerous commercial relationships with companies such as Chi Mei EL Corporation, DuPont Displays, Inc., Konica Minolta Technology Center, Inc., Samsung SDI Co., Seiko Epson Corporation, Sony Corporation, Tohoku Pioneer Corporation and Toyota Industries Corporation. Universal Display currently owns or has exclusive, co-exclusive or sole license rights with respect to more than 800 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 OLED products that meet their needs. 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, 2006. Universal Display Corporation disclaims any obligation to update any forward-looking statement contained in this document.

(Tables Follow)

UNIVERSAL DISPLAY CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	June 30, 2007	December 31, 2006
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$61,495,627	\$31,097,533
Short-term investments	22,747,530	17,957,752
Accounts receivable	1,837,673	2,113,263
Inventory	2,209	30,598
Other current assets	739,044	606,267
Total current assets	86,822,083	51,805,413
PROPERTY AND EQUIPMENT, net	13,474,034	14,074,093
ACQUIRED TECHNOLOGY, net	5,471,952	6,319,488
INVESTMENTS	95,940	42,770
OTHER ASSETS	94,772	89,772
	\$105,958,781	\$72,331,536
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$1,800,554	\$1,808,869
Accrued expenses	3,039,027	5,245,536
Deferred license fees	7,178,267	7,178,268
Deferred revenue	650,000	150,000
Total current liabilities	12,667,848	14,382,673
DEFERRED LICENSE FEES	2,710,700	2,966,500
DEFERRED REVENUE	568,605	600,000
Total liabilities	15,947,153	17,949,173
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Preferred Stock, par value \$.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), 300,000 shares of Series B Convertible Preferred Stock authorized and none outstanding, 5,000 shares of Series C-1 Convertible Preferred Stock authorized and none outstanding, 5,000 shares of Series D Convertible Preferred Stock authorized and none outstanding	2,000	2,000
Common Stock, par value \$.01 per share, 50,000,000 shares authorized, 34,875,962 and 31,385,408 shares issued and outstanding at March 31, 2007 and December 31, 2006, respectively	348,760	313,854
Additional paid-in capital	244,821,277	199,505,981
Unrealized loss on available for sale securities	(44,611)	(82,846)
Accumulated deficit	(155,115,798)	(145,356,626)
Total shareholders' equity	90,011,628	54,382,363
Total liabilities and shareholders' equity	\$105,958,781	\$72,331,536

UNIVERSAL DISPLAY CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended June 30,	
	2007	2006
REVENUE		
Contract research revenue	\$ 1,305,246	\$ 901,529
Development chemical revenue	366,998	296,624
Commercial chemical revenue	229,631	336,365
Royalty and license revenue	163,295	807,185
Technology development revenue	250,000	667,613
Total revenue	2,315,170	3,009,316
OPERATING EXPENSES:		
Cost of chemicals sold	165,039	72,473
Research and development	5,543,824	5,388,686
General and administrative	2,568,217	2,234,535
Royalty and license expense	36,595	166,794
Total operating expenses	8,313,675	7,862,488
Operating loss	(5,998,505)	(4,853,172)
INTEREST INCOME	823,739	544,626
INTEREST EXPENSE	(605)	(4,105)
NET LOSS	\$ (5,175,371)	\$ (4,312,651)
BASIC AND DILUTED NET LOSS PER COMMON SHARE	\$ (0.16)	\$ (0.14)
WEIGHTED AVERAGE SHARES USED IN COMPUTING BASIC AND DILUTED NET LOSS PER COMMON SHARE	33,143,347	30,982,309

UNIVERSAL DISPLAY CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Six Months Ended June 30,	
	2007	2006
REVENUE		
Contract research revenue	\$ 2,419,770	\$ 1,437,590
Development chemical revenue	576,204	972,530
Commercial chemical revenue	1,542,631	734,844
Royalty and license revenue	291,195	1,738,031
Technology development revenue	500,000	1,397,727
Total revenue	5,329,800	6,280,722
OPERATING EXPENSES:		
Cost of chemicals sold	446,588	308,810
Research and development	10,997,153	10,231,862
General and administrative	4,921,731	4,232,227
Royalty and license expense	131,593	353,319
Total operating expenses	16,497,065	15,126,218
Operating loss	(11,167,265)	(8,845,496)
INTEREST INCOME	1,408,698	1,019,016
INTEREST EXPENSE	(605)	(8,211)
NET LOSS	\$ (9,759,172)	\$ (7,834,691)
BASIC AND DILUTED NET LOSS PER COMMON SHARE	\$ (0.30)	\$ (0.26)
WEIGHTED AVERAGE SHARES USED IN COMPUTING BASIC AND DILUTED NET LOSS PER COMMON SHARE	32,338,358	30,508,972

UNIVERSAL DISPLAY CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended June 30,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	\$ (9,759,172	) \$ (7,834,691
Non-cash charges to statement of operations:		
Depreciation	920,179	902,613
Amortization of intangibles	847,536	847,535
Amortization of premium and discount on investments	(116,351	) (71,031
Stock-based employee compensation	555,687	430,882
Stock-based non-employee compensation	9,497	105,011
Non-cash expense under a Development Agreement	536,102	1,955,101
Stock-based compensation to Board of Directors and Scientific Advisory Board	228,911	-
 (Increase) decrease in assets:		
Accounts receivable	275,590	(589,484
Inventory	28,389	) (61,556
Other current assets	(132,777	) (203,435
Other assets	(5,000	) (5,000
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(475,921	) (275,593
Deferred license fees	(255,801	) 494,200
Deferred revenue	468,605	(1,310,227
 Net cash used in operating activities	(6,874,526	) (5,615,675
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(320,120	) (1,569,252
Purchases of investments	(17,548,363	) (11,300,639
Proceeds from sale of investments	12,860,000	7,753,000
 Net cash used in investing activities	(5,008,483	) (5,116,891
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	38,029,023	-
Proceeds from exercise of common stock option and warrants	4,252,080	5,273,300
 Net cash provided by financing activities	42,281,103	5,273,300
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	30,398,094	(5,459,266
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	31,097,533	30,654,249
 CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 61,495,627	\$ 25,194,983

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