UNIVERSAL DISPLAY CORPORATION

11/6/2006

Universal Display Corporation Announces Third 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™ phosphorescent OLED technology, today announced its results of operations for the quarter ended September 30, 2006.

"We continue to see a shift in our revenue mix as the industry moves towards commercialization of OLED technology."

Tweet this

Revenues for the three months ended September 30, 2006 were $3,096,288, compared to $3,372,870 for the same quarter in 2005. Revenues from the third quarter showed solid increases in commercial chemical sales, license fee revenues and technology development revenues, and decreases in development chemical sales and contract research revenues. The Company's revenue mix continues to shift as its phosphorescent OLED (PHOLED™) technology is commercialized.

Revenue components in the third quarter of 2006, when compared to the third quarter of 2005 were: commercial chemical sales revenues of $201,227, compared to $0; license fee revenues of $534,248, compared to $50,400; technology development revenues of $540,531, compared to $425,947; development chemical sales of $492,173, compared to $1,340,428; and contract research revenues of $1,328,109, compared to $1,556,095.

On a sequential basis, revenues for first quarter of 2006 were $3,271,406, total operating expenses were $7,263,730, and the net loss was $3,522,040. For the second quarter of 2006 revenues were $3,009,316, total operating expenses were $7,862,488, and the net loss was $4,312,651.

The Company reported a net loss of $2,943,287 (or $0.09 per share) for the quarter ended September 30, 2006, compared to a net loss of $2,979,140 (or $0.10 per share) for the same quarter in 2005. The decrease is mainly attributable to the refund of $1,011,358 from Princeton University for cumulative amounts overpaid under the Company's sponsored research agreement with Princeton over the past several years. The refund arose from Dr. Stephen Forrest's transfer to the University of Michigan, where he continues to direct research sponsored by the Company under a new arrangement with Michigan and the University of Southern California. This refund offset increases in R&D and G&A expenses associated with the Company's expansion in research and development staff and facilities in preparation for expected growth in the OLED market.

Revenues for the nine-month period ended September 30, 2006 were $9,377,010, compared to $7,851,932 for the same period in 2005. The Company's net loss for the nine-month period ended September 30, 2006 was $10,777,978 (or $0.35 per share), compared to a net loss of $11,160,021 (or $0.39 per share) for the same nine-month period in 2005.

Net cash used in operating activities was $5,686,012 for the nine months ended September 30, 2006, compared $897,275 for the same period in 2005. The increased usage was mainly attributable to a decrease in deferred revenue during the quarter, an increase in accounts receivable, and a reduction in accounts payable and accrued expenses. During the third quarter of 2006, the Company was essentially cash flow breakeven with $70,337 (including the Princeton University refund) of cash used in operating activities. In addition, working capital increased to $38,658,453 as of September 30, 2006, compared to $36,464,774 as of September 30, 2005.

“With one quarter remaining in 2006, we are pleased that our revenues are up nearly 20% versus a year ago. Operating expenses remained stable during 2006, as the Company has completed the planned expansion of its facility and significantly increased the size of its research and development team,” said Sidney D. Rosenblatt, Chief Financial Officer of Universal Display. “We continue to see a shift in our revenue mix as the industry moves towards commercialization of OLED technology.”

In conjunction with this release, Universal Display will host a conference call, followed by a question and answer session, today, November 6th, at 5:00 p.m. Eastern Time. Interested parties may participate by calling 973-935-8766 at 4:55 p.m. Eastern Time and referencing conference PIN 8035845. A taped replay of the conference call will be available within two hours of the conclusion of the call and will remain available through Monday, November 20, 2006. The number to call for the taped replay is 973- 341-3080 and the conference PIN is 8035845.

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 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.; Konica Minolta Technology Center, Inc.; Seiko Epson Corporation; Sony Corporation; and Toyota Industries Corporation. Universal Display currently owns or has exclusive or sole 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 disclaims any obligation to update any forward-looking statement contained in this document.

UNIVERSAL DISPLAY CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	September 30, 2006	December 31, 2005

ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$29,459,946	$30,654,249
Short-term investments	17,626,287	17,190,242
Accounts receivable	3,741,121	1,944,099
Inventory	30,598	36,431
Other current assets	671,378	497,746
Total current assets	51,529,330	50,322,767
PROPERTY AND EQUIPMENT, net	14,205,037	13,553,611
ACQUIRED TECHNOLOGY, net	6,743,256	8,014,559
INVESTMENTS	565,626	1,828,708
OTHER ASSETS	102,272	99,772
TOTAL ASSETS	$73,145,521	$73,819,417
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$584,192	$1,249,576
Accrued expenses	4,980,387	5,168,223
Deferred license fees	6,928,268	3,478,267
Deferred revenue	378,030	2,078,788
Total current liabilities	12,870,877	11,974,854
DEFERRED LICENSE FEES	3,094,400	3,478,100
DEFERRED REVENUE	600,000	750,000
Total liabilities	16,565,277	16,202,954
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, 31,159,556 and 29,545,471 shares issued and outstanding	311,596	295,455
Additional paid-in-capital	197,450,335	187,609,407
Deferred compensation	(175,332)	—
Accumulated other comprehensive loss	(60,555)	(120,577)
Accumulated deficit	(140,947,800)	(130,169,822)
Total shareholders' equity	56,580,244	57,616,463
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$73,145,521	$73,819,417

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

	Three Months Ended September 30,	
	2006	2005
REVENUE:		
Contract research	$ 1,328,109	$ 1,556,095
Development chemical	492,173	1,340,428
Commercial chemical	201,227	—
License fees	534,248	50,400
Technology development fees	540,531	425,947
Total revenue	3,096,288	3,372,870

OPERATING EXPENSES:		
Cost of chemicals sold	81,637	44,777
Research and development	4,386,268	4,734,554
General and administrative	1,965,921	1,739,166
Royalty and license expense	169,035	162,269
Total operating expenses	6,602,861	6,680,766
Operating loss	(3,506,573)	(3,307,896)
INTEREST INCOME	565,262	382,024
INTEREST EXPENSE	(1,976)	(53,268)
NET LOSS	$ (2,943,287)	$ (2,979,140)
BASIC AND DILUTED NET LOSS PER COMMON SHARE	$ (0.09)	$ (0.10)
WEIGHTED AVERAGE SHARES USED IN COMPUTING BASIC AND DILUTED NET LOSS PER COMMON SHARE	31,151,052	28,617,601

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

	Nine Months Ended September 30,	
	2006	2005
REVENUE:		
Contract research	$ 2,765,699	$ 3,769,475
Development chemical	1,464,703	2,877,642
Commercial chemical	936,071	31,395
License fees	2,272,279	165,655
Technology development fees	1,938,258	1,007,765
Total revenue	9,377,010	7,851,932
OPERATING EXPENSES:		
Cost of chemicals sold	205,011	83,947
Research and development	14,803,566	13,891,104
General and administrative	6,198,148	5,395,253
Royalty and license expense	522,354	462,269
Total operating expenses	21,729,079	19,832,573
Operating loss	(12,352,069)	(11,980,641)
INTEREST INCOME	1,584,278	965,296
INTEREST EXPENSE	(10,187)	(144,676)
NET LOSS	$ (10,777,978)	$ (11,160,021)
BASIC AND DILUTED NET LOSS PER COMMON SHARE	$ (0.35)	$ (0.39)
WEIGHTED AVERAGE SHARES USED IN COMPUTING BASIC AND DILUTED NET LOSS PER COMMON SHARE	30,725,351	28,298,728

UNIVERSAL DISPLAY CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine months ended September 30,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (10,777,978)	$ (11,160,021)
Non-cash charges to statement of operations:		
Depreciation	1,364,378	1,192,326
Amortization of intangibles	1,271,303	1,271,304
Amortization of premium and discount on investments	(115,156)	(91,253)
Common stock, options and warrants issued in connection with Development Agreement	1,925,724	2,922,253
Common stock and options issued to employees	696,135	1,121,202
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	(1,797,022)	305,677
Inventory	5,833	(18,281)
Other current assets	(173,632)	(189,108)
Other assets	(2,500)	(4,414)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	596,349	(241,633)
Deferred license fees	3,066,301	1,907,600
Deferred revenue	(1,850,758)	1,567,235
Net cash used in operating activities	(5,686,012)	(897,275)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(2,015,804)	(3,413,126)
Purchases of investments	(15,136,785)	(14,506,386)
Proceeds from sale of investments	16,139,000	28,713,001
Net cash (used in) provided by investing activities	(1,013,589)	10,793,489
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the exercise of common stock options and warrants	5,505,298	2,313,116
Payment of loan	—	(225,000)
Restricted cash	—	225,000
Net cash provided by financing activities	5,505,298	2,313,116
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,194,303)	12,209,330
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	30,654,249	18,930,581
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 29,459,946	$ 31,139,911
Cash paid for interest	$ —	$ 140,890

CONTACTS

Universal Display Corporation
Dean Ledger, 800-599-4426
or
Gregory FCA Communications

Investors:
Paul Johnson, 610-642-8253 (ext. 115)
paul@gregoryfca.com
or
Media:
Mike Lizun, 610-642-8253 (ext. 113)
mike@gregoryfca.com