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Universal Display Corporation Announces Third Quarter 2007 Financial Results

EWING, N.J.--([BUSINESS WIRE](#))--Universal Display Corporation (NASDAQ:PANL), a major force behind today's evolving displays and lighting with its PHOLED™ phosphorescent OLED technology, today announced its results for the quarter ended September 30, 2007.

“Universal Display is in a solid financial position as our revenue mix reflects momentum in the commercialization of our PHOLED technology”

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For the third quarter of 2007, the Company reported a net loss of \$2,960,565 or \$(0.08) per diluted share, versus a net loss of \$2,943,287 or \$(0.09) per diluted share for the third quarter of 2006. The Company's net loss for the nine-month period ended September 30, 2007 was \$12,719,737 or (\$0.38) per diluted share, compared to a net loss of \$10,777,978, or (\$0.35) per diluted share, for the same period in 2006.

“Universal Display is in a solid financial position as our revenue mix reflects momentum in the commercialization of our PHOLED technology,” said Sidney D. Rosenblatt, Chief Financial Officer of Universal Display. “While revenues and net loss were about the same for the third quarters of 2006 and 2007, sequentially, we saw a significant increase in our commercial chemical revenue for the third quarter of 2007 compared to the second quarter. Revenue increased from \$2,315,170 in the second quarter to \$3,077,281 in the third quarter, and our net loss was reduced from \$5,175,371 in the second quarter to \$2,960,565 in the third quarter, as our PHOLED technology and materials continue to be incorporated into more commercial products. The OLED industry is closer than ever to realizing broad commercialization of OLED technology in personal electronics, TV's and other display applications.”

Revenues for the three months and nine months ended September 30, 2007 were \$3,077,281 and \$8,407,081, respectively, compared to \$3,096,288 and \$9,377,010 for the same periods in 2006. Revenue components for the third quarter and first nine months of 2007 were as follows:

Commercial chemical revenues were \$1,185,050 and \$2,727,681, respectively, for the three months and nine months ended September 30, 2007, compared to \$201,227 and \$936,071 for the same periods in 2006. Commercial chemical revenue for the quarter ended September 30, 2007 and the first nine months of 2007 was positively impacted by material shipments almost entirely to Samsung SDI. Comparatively, material shipments to AU Optronics comprised the bulk of commercial chemical revenue for the same periods of 2006.

Royalty and license revenues were \$183,151 and \$474,346, respectively, for three months and nine months ended September 30, 2007, compared to \$534,248 and \$2,272,279 for the same periods in 2006. The decrease in royalty and license revenue is attributable to a suspension of OLED display production by a major customer, AU Optronics, as well as structural differences in the Company's licensing arrangements with AU Optronics and Samsung SDI. Under the arrangement with AU Optronics, license revenues were earned when the Company sold materials to AU Optronics, while under the arrangement with Samsung SDI, corresponding royalty revenues are not earned until products incorporating the Company's materials are sold by Samsung SDI.

Technology development revenues were \$250,000 and \$750,000, respectively, for the three months and nine months ended September 30, 2007, compared to \$540,531 and \$1,938,258 for the same periods in 2006. The decrease is

attributable to the completion of work under certain technology development agreements during 2006.

Development chemical revenues were \$229,774 and \$805,978, respectively, for the three months and nine months ended September 30, 2007, compared to \$492,173 and \$1,464,703 for the same periods in 2006. The decrease for the nine month period is primarily attributable to the transition of Samsung SDI from development to commercial chemical sales.

Contract research revenues were \$1,229,306 and \$3,649,076, respectively, for the three months and nine months ended September 30, 2007, compared to \$1,328,109 and \$2,765,699 for the same periods in 2006. Fluctuations in these revenues reflect the timing of services provided under government contracts.

Operating expenses totalled \$7,150,030 and \$23,647,095, respectively, for the three months and nine months ended September 30, 2007, compared to \$6,602,861 and \$21,729,079 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, materials development performed in conjunction with PPG Industries, and operating expenses resulting from the expansion of the Company's facility in Ewing, New Jersey.

Net cash used in operating activities was \$9,450,432 for the nine months ended September 30, 2007, compared to \$5,686,012 for the comparable prior-year period. The increase is mainly attributable to decreased revenues and increased operating expenses, as well as a decrease in the receipt of deferred license fees and deferred revenue. The increased use of cash is offset to some extent by proceeds from warrant and option exercises during the nine months ended September 30, 2007.

The Company's balance sheet at quarter-end was strong, with cash, cash equivalents and investments of \$83,663,809 as of September 30, 2007, compared to \$49,098,055 as of December 31, 2006.

In conjunction with this release, Universal Display will host a conference call, followed by a question and answer session, today, Thursday, November 8th, 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 9323308. 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, November 22, 2007. The number to call for the taped replay is 973-341-3080 and the conference PIN is 9323308.

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., LG.Philips LCD Co., Ltd., 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)

	September 30, 2007	December 31, 2006
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$60,605,836	\$31,097,533
Short-term investments	23,057,973	17,957,752
Accounts receivable	2,489,838	2,113,263
Inventory	2,209	30,598
Other current assets	745,936	606,267
Total current assets	86,901,792	51,805,413
PROPERTY AND EQUIPMENT, net	13,388,135	14,074,093
ACQUIRED TECHNOLOGY, net	5,048,184	6,319,488
INVESTMENTS	-	42,770
OTHER ASSETS	82,272	89,772
Total assets	\$105,420,383	\$72,331,536
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$1,233,927	\$1,808,869
Accrued expenses	3,703,177	5,245,536
Deferred license fees	7,178,268	7,178,268
Deferred revenue	550,000	150,000
Total current liabilities	12,665,372	14,382,673
DEFERRED LICENSE FEES	2,582,800	2,966,500
DEFERRED REVENUE	552,554	600,000
Total liabilities	15,800,726	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, 35,117,615 and 31,385,408 shares issued and outstanding at September 30, 2007 and December 31, 2006, respectively	351,176	313,854
Additional paid-in capital	247,359,526	199,505,981
Unrealized loss on available for sale securities	(16,682)	(82,846)
Accumulated deficit	(158,076,363)	(145,356,626)
Total shareholders' equity	89,619,657	54,382,363
Total liabilities and shareholders' equity	\$105,420,383	\$72,331,536

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

Three Months Ended September 30,
2007 2006

REVENUE				
Contract research revenue	\$ 1,229,306		\$ 1,328,109	
Development chemical revenue	229,774		492,173	
Commercial chemical revenue	1,185,050		201,227	
Royalty and license revenue	183,151		534,248	
Technology development revenue	250,000		540,531	
Total revenue	3,077,281		3,096,288	
OPERATING EXPENSES:				
Cost of chemicals sold	281,062		136,393	
Research and development	4,568,299		4,331,512	
General and administrative	2,209,537		1,965,921	
Royalty and license expense	91,132		169,035	
Total operating expenses	7,150,030		6,602,861	
Operating loss	(4,072,749)	(3,506,573)
INTEREST INCOME	1,114,769		565,262	
INTEREST EXPENSE	(2,585)	(1,976)
NET LOSS	\$ (2,960,565)	\$ (2,943,287)
BASIC AND DILUTED NET LOSS PER COMMON SHARE	\$ (0.08)	\$ (0.09)
WEIGHTED AVERAGE SHARES USED IN COMPUTING BASIC AND DILUTED NET LOSS PER COMMON SHARE	34,985,918		31,151,052	

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

Nine Months Ended September
30,
2007 2006

REVENUE				
Contract research revenue	\$ 3,649,076		\$ 2,765,699	
Development chemical revenue	805,978		1,464,703	
Commercial chemical revenue	2,727,681		936,071	
Royalty and license revenue	474,346		2,272,279	
Technology development revenue	750,000		1,938,258	
Total revenue	8,407,081		9,377,010	
OPERATING EXPENSES:				
Cost of chemicals sold	727,650		445,203	
Research and development	15,565,452		14,563,374	
General and administrative	7,131,268		6,198,148	
Royalty and license expense	222,725		522,354	
Total operating expenses	23,647,095		21,729,079	
Operating loss	(15,240,014)	(12,352,069)
INTEREST INCOME	2,523,467		1,584,278	
INTEREST EXPENSE	(3,190)	(10,187)
NET LOSS	\$ (12,719,737)	\$ (10,777,978)
BASIC AND DILUTED NET LOSS PER COMMON SHARE	\$ (0.38)	\$ (0.35)
WEIGHTED AVERAGE SHARES USED IN COMPUTING BASIC AND DILUTED NET LOSS PER COMMON SHARE	33,230,574		30,725,351	

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

Nine Months Ended September 30,
2007 2006

CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Loss	\$ (12,719,737	) \$ (10,777,978)
Non-cash charges to statement of operations:			
Depreciation	1,347,549	1,364,378	
Amortization of intangibles	1,271,304	1,271,303	
Amortization of premium and discount on investments	(189,306	) (115,156)
Stock-based employee compensation	803,693	696,135	
Stock-based non-employee compensation	9,497	105,011	
Non-cash expense under a Development Agreement	745,453	2,550,392	
Stock-based compensation to Board of Directors and Scientific Advisory Board	318,997	-	
(Increase) decrease in assets:			
Accounts receivable	(376,575	) (1,797,022)
Inventory	28,389	5,833	
Other current assets	(139,669	) (173,632)
Other assets	7,500	(2,500)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	(526,381	) (28,319)
Deferred license fees	(383,700	) 3,066,301	
Deferred revenue	352,554	(1,850,758)
Net cash used in operating activities	(9,450,432	) (5,686,012)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(661,591	) (2,015,804)
Purchases of investments	(27,344,981	) (15,136,785)
Proceeds from sale of investments	22,543,000	16,139,000	
Net cash used in investing activities	(5,463,572	) (1,013,589)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock	38,000,023	-	
Proceeds from exercise of common stock option and warrants	6,422,284	5,505,298	
Net cash provided by financing activities	44,422,307	5,505,298	
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	29,508,303	(1,194,303)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	31,097,533	30,654,249	
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 60,605,836	\$ 29,459,946	

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