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Universal Display Corporation Announces Third Quarter 2010 Financial Results

EWING, N.J.--([BUSINESS WIRE](#))--Universal Display Corporation (NASDAQ: PANL), enabling energy-efficient displays and lighting with its UniversalPHOLED™ technology and materials, today announced its results for the quarter and nine months ended September 30, 2010.

“Third quarter 2010 revenues showed continued growth in the quarter, further evidence that our PHOLED™ technology is being commercially adopted in the market”

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For the third quarter of 2010, the Company reported an operating loss of \$3,882,545, compared to \$3,792,776 for the third quarter of 2009. The net loss for the third quarter of 2010 was \$7,186,570, or \$(0.19) per basic and diluted share, compared to a net loss of \$4,672,847, or \$(0.13) per basic and diluted share, for the third quarter of 2009. The net loss and loss per share for the third quarters of 2010 and 2009 included \$3,362,441 and \$1,001,612, respectively of non-cash losses on stock warrant liability. Operating expenses for the third quarter of 2010 were \$10,938,406, compared to \$8,938,169 for the third quarter of 2009.

Revenues for the third quarter of 2010 were \$7,055,861, compared to revenues of \$5,145,393 for the third quarter of 2009. Commercial revenue, which includes commercial chemical revenue, license and royalty revenues, and commercialization assistance revenue, was \$2,836,587 for the quarter, compared to \$1,621,416 for the third quarter of 2009. Developmental revenue, which includes development chemical revenue, contract research revenue, and technology development revenue, was \$4,219,274 for the quarter, compared to \$3,523,977 for the third quarter of 2009, which included \$1,500,000 that was received from a customer which withdrew from the OLED business and was previously recorded as deferred revenue.

For the first nine months of 2010, the Company reported revenues of \$19,749,340, compared to revenues of \$10,935,605 for the same period in 2009. Commercial revenue for the first nine months of 2010 was \$6,618,626, compared to \$4,229,609 for the same period in 2009. Developmental revenue for the first nine months of 2010 was \$13,130,714, compared to \$6,705,996 for the same period in 2009.

The operating loss for the nine months ended September 30, 2010 was \$10,016,021, compared to an operating loss of \$16,097,137 for the same period in 2009. The Company reported a net loss of \$14,600,996, or \$(0.39) per basic and diluted share, for the first nine months of 2010, compared to a net loss of \$16,657,624, or \$(0.46) per basic and diluted share, for the same period in 2009. The net loss and loss per share for the nine months ending September 30, 2010 and 2009 included \$5,231,626 and \$1,121,080, respectively of non-cash losses on stock warrant liability.

Cash used in operating activities for the nine months ended September 30, 2010 was \$4,973,747, compared to \$11,831,763 for the nine months ended September 30, 2009. The decrease in cash used in operating activities was mainly due to a decrease in the 2010 net loss compared to 2009. The Company's balance sheet remained strong at September 30, 2010, with cash, cash equivalents and short-term investments of \$65,007,202, which was over \$1 million higher than cash, cash equivalents and short-term investments as of December 31, 2009.

“Third quarter 2010 revenues showed continued growth in the quarter, further evidence that our PHOLED™ technology is being commercially adopted in the market,” said Sidney D. Rosenblatt, Executive Vice President and Chief Financial

Officer of Universal Display. “The operating loss was essentially unchanged due mainly to a significant one-time revenue gain in the prior year, and the net loss was higher due to a significant non-cash stock warrant liability expense. We are continuing to experience the benefits of our industry-leading technology and extensive portfolio of intellectual property that is setting the standard of performance in the small-area OLED display market. This should fuel continued growth as manufacturers add capacity to keep up with the demand for brighter, longer-lasting, and highly energy-efficient OLED displays.”

Mr. Rosenblatt concluded, “Although the market for small-area OLED displays has yet to fully mature, we are already seeing tremendous progress adapting OLED technology to a host of other applications. Display manufacturers and industry observers alike generally agree that large area OLED displays are on the horizon, and production facilities to achieve this vision are being developed. We believe that the low power consumption characteristics of our PHOLED technology can provide an environmentally-friendly solution to meet the need for more energy efficient white lighting. As a recognized industry leader with a comprehensive portfolio of OLED technologies, we are developing innovative solutions both independently and in partnerships that should enable us to capitalize on the full range of emerging opportunities for better displays and more efficient lighting products.”

In conjunction with this release, Universal Display will host a conference call, followed by a question and answer session, on Thursday, November 4, 2010 at 5:00 p.m. Eastern Time. Interested parties may participate by calling 888-215-6918 at 4:55 p.m. Eastern Time and referencing conference ID 7342132. 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 18, 2010. The number to call for the taped replay is 888-203-1112, and the conference PIN is 7342132.

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 events portion of the website at www.universaldisplay.com. 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 (Nasdaq: PANL) is a leader in developing and delivering state-of-the-art, organic light emitting device (OLED) technologies, materials and services to the display and lighting industries. Founded in 1994, the company currently owns or has exclusive, co-exclusive or sole license rights with respect to more than 1,000 issued and pending patents worldwide. Universal Display licenses its proprietary technologies, including its breakthrough high-efficiency UniversalPHOLED™ phosphorescent OLED technology, that can enable the development of low power and eco-friendly displays and white lighting. The company also develops and offers high-quality, state-of-the-art UniversalPHOLED materials that are recognized as key ingredients in the fabrication of OLEDs with peak performance. In addition, Universal Display delivers innovative and customized solutions to its clients and partners through technology transfer, collaborative technology development and on-site training.

Based in Ewing, New Jersey, Universal Display works and partners with a network of world-class organizations, including Princeton University, the University of Southern California, the University of Michigan, and PPG Industries, Inc. The company has also established relationships with companies such as AU Optronics Corporation, Chimei Innolux Corporation, DuPont Displays, Inc., Konica Minolta Technology Center, Inc., LG Display Co., Ltd., Samsung Mobile Display Co, Ltd., Seiko Epson Corporation, Sony Corporation, Showa Denko K.K., and Tohoku Pioneer Corporation. To learn more about Universal Display, please visit www.universaldisplay.com.

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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, 2009, as amended. Universal Display Corporation disclaims any obligation to update any forward-looking statement contained in this document.

UNIVERSAL DISPLAY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(unaudited)

	September 30, 2010	December 31, 2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$8,202,740	\$22,701,126
Short-term investments	56,804,462	41,172,955
Accounts receivable	4,696,340	3,344,255
Other current assets	624,180	411,240
Total current assets	70,327,722	67,629,576
PROPERTY AND EQUIPMENT, net	9,938,093	11,048,763
ACQUIRED TECHNOLOGY, net	-	1,234,272
OTHER ASSETS	266,111	227,276
TOTAL ASSETS	\$80,531,926	\$80,139,887
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$1,597,514	\$1,275,695
Accrued expenses	5,738,504	5,238,870
Deferred license fees	4,028,486	6,047,467
Deferred revenue	343,959	1,403,927
Stock warrant liability	8,951,791	-
Total current liabilities	20,660,254	13,965,959
DEFERRED LICENSE FEES	2,940,479	2,826,237
STOCK WARRANT LIABILITY	-	3,720,165
RETIREMENT PLAN BENEFIT LIABILITY	6,002,998	-
Total liabilities	29,603,731	20,512,361
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, 100,000,000 and 50,000,000 shares authorized, 38,315,153 and 36,818,440 shares issued and outstanding at September 30, 2010 and December 31, 2009, respectively	383,152	368,184
Additional paid-in capital	267,554,133	256,340,530
Accumulated deficit	(211,709,701)	(197,108,705)
Accumulated other comprehensive (loss) income	(5,301,389)	25,517
Total shareholders' equity	50,928,195	59,627,526
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$80,531,926	\$80,139,887

UNIVERSAL DISPLAY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

Three Months Ended September

	30, 2010	2009	
REVENUE:			
Commercial revenue	\$ 2,836,587	\$ 1,621,416	
Developmental revenue	4,219,274	3,523,977	
Total revenue	7,055,861	5,145,393	
OPERATING EXPENSES:			
Cost of chemicals sold	1,258,435	277,218	
Research and development	4,831,299	4,938,705	
Selling, general and administrative	3,452,815	2,656,005	
Patent costs	1,177,383	955,119	
Royalty and license expense	218,474	111,122	
Total operating expenses	10,938,406	8,938,169	
Operating loss	(3,882,545	) (3,792,776)
INTEREST INCOME	64,373	121,927	
INTEREST EXPENSE	(5,957	) (386)
LOSS ON STOCK WARRANT LIABILITY	(3,362,441	) (1,001,612)
NET LOSS	\$ (7,186,570	) \$ (4,672,847)
BASIC AND DILUTED NET LOSS PER COMMON SHARE	\$ (0.19	) \$ (0.13)
WEIGHTED AVERAGE SHARES USED IN COMPUTING BASIC AND DILUTED NET LOSS PER COMMON SHARE	37,741,107	36,481,603	

UNIVERSAL DISPLAY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Nine Months Ended September 30,		
	2010	2009	
REVENUE:			
Commercial revenue	\$ 6,618,626	\$ 4,229,609	
Developmental revenue	13,130,714	6,705,996	
Total revenue	19,749,340	10,935,605	
OPERATING EXPENSES:			
Cost of chemicals sold	2,736,637	766,396	
Research and development	13,999,438	15,482,462	
Selling, general and administrative	9,719,643	7,994,021	
Patent costs	2,802,549	2,510,379	
Royalty and license expense	507,094	279,484	
Total operating expenses	29,765,361	27,032,742	
Operating loss	(10,016,021	) (16,097,137)
INTEREST INCOME	201,153	563,920	
INTEREST EXPENSE	(18,664	) (3,327)
LOSS ON STOCK WARRANT LIABILITY	(5,231,626	) (1,121,080)
LOSS BEFORE INCOME TAX BENEFIT	(15,065,158	) (16,657,624)
INCOME TAX BENEFIT	464,162	-	
NET LOSS	\$ (14,600,996	) \$ (16,657,624)
BASIC AND DILUTED NET LOSS PER COMMON SHARE	\$ (0.39	) \$ (0.46)
WEIGHTED AVERAGE SHARES USED IN COMPUTING BASIC AND DILUTED NET LOSS PER COMMON SHARE	37,380,190	36,388,939	

UNIVERSAL DISPLAY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

Nine Months Ended September 30,

	2010		2009	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss	\$ (14,600,996	)	\$ (16,657,624)
Adjustments to reconcile net loss to net cash used in operating activities:				
Amortization of deferred license fees and deferred revenue	(3,653,330	)	(3,342,522)
Depreciation	1,329,279		1,552,826	
Amortization of intangibles	1,234,272		1,271,304	
Amortization of premium and discount on investments, net	(121,891	)	(356,571)
Stock-based employee compensation	1,902,701		1,420,170	
Stock-based non-employee compensation	43,308		7,011	
Non-cash expense under a materials agreement	896,184		851,587	
Stock-based compensation to Board of Directors and Scientific Advisory Board	660,983		321,300	
Loss on stock warrant liability	5,231,626		1,121,080	
(Increase) decrease in assets:				
Accounts receivable	(1,352,085	)	564,099	
Other current assets	(212,940	)	(80,062)
Other assets	(38,835	)	(167,986)
Increase in liabilities:				
Accounts payable and accrued expenses	2,335,190		1,396,958	
Deferred license fees	634,545		-	
Deferred revenue	54,078		266,667	
Retirement plan benefit liability	684,164		-	