

05

simply brilliant



UNIVERSAL DISPLAY
CORPORATION™

The past year was marked with advances on many fronts at Universal Display. Organic Light Emitting Devices (OLEDs) could become one of the biggest growth opportunities of this decade, and we are at the forefront. We made great strides in the performance of our PHOLED™ phosphorescent OLED technology. One of the biggest of these was our breakthrough in blue PHOLED operating lifetime. In June, we demonstrated a highly-efficient sky blue PHOLED – boasting over 15,000 hours of operating lifetime at 200 nits. This was the first blue PHOLED to break the 1,000 hour barrier – a challenge some thought insurmountable. By year's end, we'd developed another sky blue PHOLED with over 100,000 hours and a deeper blue with over 17,500 hours at 200 nits. We also made significant improvements in reds and greens – brighter, longer-lived and highly-efficient – to meet customer requirements for current and next-generation products.

We're currently working with some of the largest corporations in the world. Early in the year, we signed a patent license agreement with Samsung SDI of Korea, paving the way for them to integrate our proprietary OLED technology into active-matrix OLED (AMOLED) display products. Early 2006 also saw the announcement of a material supply agreement with our longtime collaborator, AU Optronics of Taiwan, for use of our PHOLED material in the production of AMOLED products. The year ended with the completion of our \$13 million facility acquisition and expansion. This expansion includes state-of-the-art synthetic chemistry laboratories for our PHOLED materials discovery program. It also encompasses additional clean room space, in part dedicated to a custom-designed OLED deposition system for flexible OLED display development and prototyping.

Universal Display is in the strongest financial position in our history. We were cash flow positive in the third and fourth quarters. We ended the year with nearly \$50 million in cash and cash equivalents and had no debt. Revenues in 2005 increased from \$7 to \$10 million. Pre-commercial agreements with a number of our long-standing partners are paving the way for near-term commercialization of new OLED products. Government contracts also grew to support our development of next-generation technologies. In addition, our sales of development chemicals grew; indicating increased pre-commercial activity toward the commercialization of our OLED technologies. Our intellectual property portfolio continued to expand in 2005. We now own – or have sole or exclusive rights to sublicense – approximately 725 issued and pending patents worldwide.

With the continued strong support of the U.S. Department of Energy and U.S. Department of Defense, Universal Display was able to advance existing initiatives in WOLED™ white OLED lighting and FOLED® flexible OLED technologies. In early 2006, we realized a key milestone: a groundbreaking full-color AMOLED prototype built on flexible, metallic foil. We have also expanded our research network to include academic institutions around the world.

As 2006 begins to take shape, the industry is transitioning from prototypes to product introductions. On the whole, it appears set for sizable growth – moving from small AMOLED devices towards larger-area TVs and displays – within the next few years. This increase in market activity reaffirms our determination to serve customers with the most state-of-the-art materials, technology and thinking.

Universal Display began as a company based upon creativity and an entrepreneurial spirit. We embraced the idea that small-molecular OLED technology could open up a vast array of product opportunities, and dedicated ourselves to making that dream real. The right technology, the right business model and the right people are securing the realization of that dream.

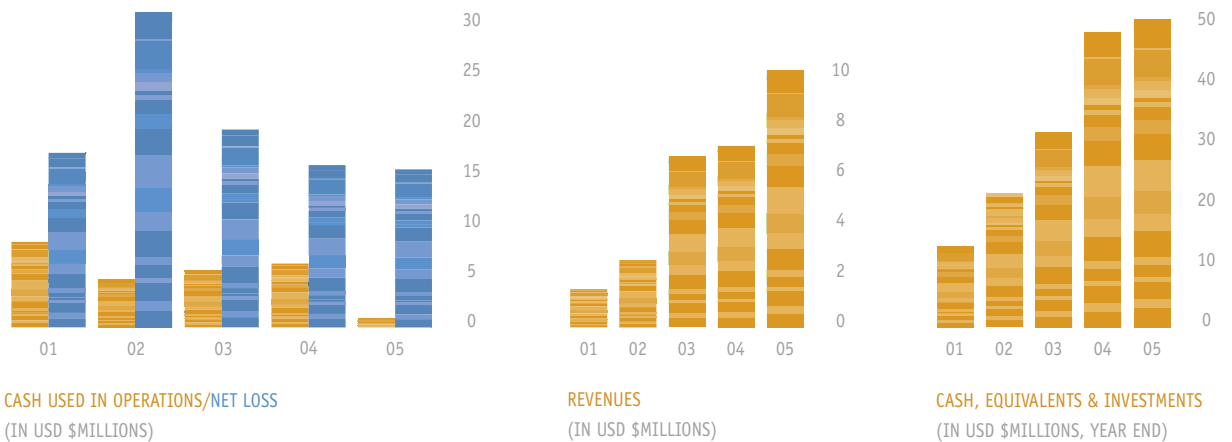
The future looks simply brilliant.



Sherwin I. Seligsohn
Chairman of the Board & Chief Executive Officer



Steven V. Abramson
President & Chief Operating Officer



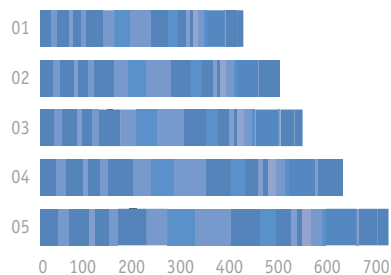
INNOVATION & IMAGINATION

The most brilliant ideas are often the simplest.

What brought this company to the position it enjoys today? In a word: brilliance. OLEDs are incredibly thin layers of luminescent, organic materials which emit brilliant light when triggered by an electric signal. Simple yet sophisticated, their potential appears tremendous. Years ago, Universal Display recognized the commercial possibilities of OLED technology, and strategically partnered with leading researchers at Princeton University and the University of Southern California. Our goal was to leverage the expertise of their chemists, engineers and scientists to shorten the research-to-commercialization cycle. Together, we've pushed the boundaries of OLED technology with cutting-edge innovation, yielding previously unimagined possibilities for flat panel displays, general lighting, electronic communications, and other opto-electronic devices.

A wealth of opportunity in every discovery.

Universal Display's breakthroughs have produced an array of distinctive technologies. These include PHOLED™ phosphorescent OLEDs, FOLED® flexible OLEDs, TOLED® transparent and top-emitting OLEDs and WOLED™ white OLEDs. With our commercial red and green PHOLED technology offering record-breaking efficiencies, long life and brilliant colors – and with breakthrough advances in blues – Universal Display's PHOLEDs are becoming an essential component in OLED displays of all sizes. Our continued investments in chemistry research are also producing innovations at the molecular level. These include development of ink-jet printable PHOLED materials, which we call P²OLEDs™. In addition, our proprietary FOLED technology is leading the way towards ultra-thin, lightweight and flexible displays. Our TOLEDs enable more visually appealing active-matrix displays. With transparent OLEDs, "see-through" displays become possible. Finally, our WOLED technology continues to demonstrate record power efficiencies for near-term applications in displays, with longer-term opportunities for lighting. Together, these technologies enable the design of products that once seemed beyond the imagination.



TOTAL PATENTS ISSUED & PENDING WORLDWIDE
(OWNED OR CONTROLLED BY UNIVERSAL DISPLAY CORP.)



Our management team typifies the wide spectrum of talents & skill sets you'll find here at Universal Display.

FROM VISION TO REALITY

It's real. It's happening now. And it keeps getting better.

The OLED marketplace is expanding at a rapidly increasing pace. Our longtime Universal Display partners, many who are leading electronics manufacturers, have launched or are preparing to launch, the first wave of AMOLED products. The first cell phone with an AMOLED main display was introduced to the Asian market in early 2006. With one glance, the advantages of OLEDs over LCDs are clear. AMOLEDs are visually striking, bright and crisp from all angles, and superior for video content. Upon further inspection, their thinner form and lower power consumption also become apparent. In 2006, more small-area AMOLED products will likely be in the hands of consumers. Major manufacturers have also publicly demonstrated large AMOLED TV prototypes up to 40" diagonal. As they move towards production, we are working with them to maximize the value that our technologies impart to their products. The next few years are certain to be exciting ones, both for the emerging OLED industry and Universal Display.

There's an even brighter future ahead.

OLEDs have been the catalyst for a broad range of novel ideas. Future products made possible by OLEDs could very well be flexible and transparent. The OLED technologies that we are working on make it possible to leapfrog conventional thinking about flat panel displays. Imagine a pen-sized device containing a full-color screen which unfurls from within, a building with windows that double as computer monitors and sources of light, even a shirt with a cuff functioning as a PDA. The day will come when a display can go anywhere and be almost anything you want it to be.

People make us shine.

Behind every innovation, you'll find the individuals whose imagination, passion and collaborative spirit are responsible for making it possible. Universal Display prides itself on a diverse, multidisciplinary culture where unconventional thinking is encouraged and exceeding customer expectations is mission critical. We believe that a myriad of expertise and perspectives are essential to our success. Our employees are our most valuable asset.

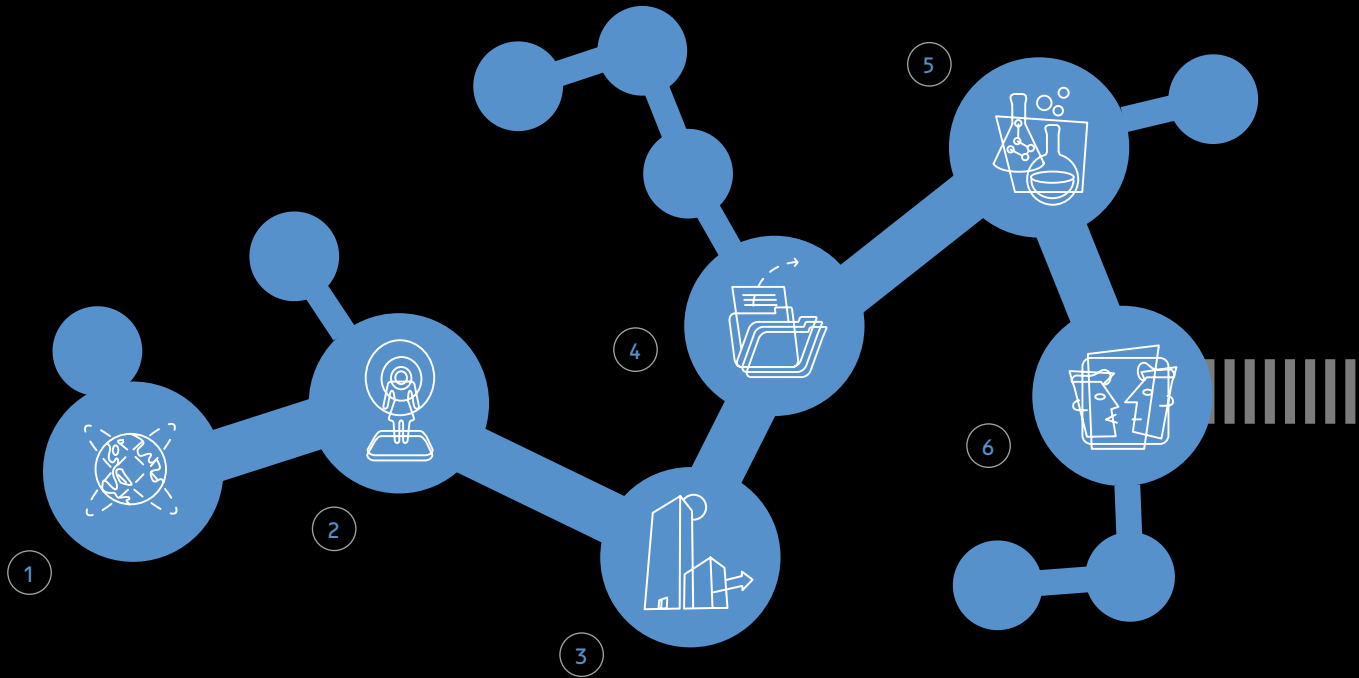


THINK SMALL



D R E A M B I G





VISION

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| <p>①</p> <p>OLED TECHNOLOGY</p> <p>OLED technology is simply a brilliant idea. OLEDs are thin, lightweight & power-efficient devices that emit bright light when electrically charged. Used in displays, they look better, are thinner, consume less power & should become more cost-effective than LCDs.</p> | <p>②</p> <p>INNOVATIVE THINKING</p> <p>Universal Display is an inventions company – entrepreneurial in mind and spirit. Our talented, multi-disciplinary team of employees & global partners develop technology for display & lighting products of today and tomorrow.</p> | <p>③</p> <p>TECHNOLOGY LEADERSHIP</p> <p>We have created a diverse portfolio of new technologies including PHOLEDs, TOLEDs, FOLEDs, P²OLEDs and WOLEDs. Our track record of discoveries is one of the things that has helped make us a leader in the OLED field.</p> | <p>④</p> <p>LICENSING BUSINESS</p> <p>Our business is new ideas. With control of approximately 725 issued & pending patents worldwide, we have one of the largest OLED patent portfolios in the world. We're also constantly developing & implementing new and brighter ideas.</p> | <p>⑤</p> <p>PHOLED MATERIALS</p> <p>We're technology researchers, and we're also molecular designers & molecule makers. Our strong, six-year partnership with PPG Industries for the manufacture of our materials enables us to meet our customers' requirements for high-quality, high-performance materials.</p> | <p>⑥</p> <p>KEY PARTNERSHIPS</p> <p>We are leveraging the manufacturing & marketing expertise of our partners around the world to position OLED technology as the solution-of-choice for flat panel displays, lighting, electronic communications & organic electronics.</p> |
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REALITY

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PORTABLE ELECTRONICS

OLEDs offer broad, new possibilities. With low power consumption, a thin & lightweight form and bright, clear video-capable imagery, OLED displays expand the design opportunities for a vast array of personal electronic products.

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OLED TELEVISIONS

OLEDs offer the visual clarity of yesterday's CRTs with the thin form factor promise of flat panel displays. With 40" AMOLED TV prototypes already on the scene, large-area commercial products may not be far away.

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EMERGING MARKETS

OLEDs are changing the way product designers think. Existing markets, like the auto industry, are looking to use transparent, conformable and/or flexible OLEDs. New markets, such as wearable electronics, are emerging based on some of these same features.

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MILITARY USE

Imagine shatter-proof digital displays far lighter & more versatile than those of today. The U.S. Department of Defense envisions OLED technology capable of dynamic data & communications. They hope flexible OLED technology might lighten gear & keep soldiers better informed in the field.

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OLED LIGHTING

WOLEDs offer the potential for pleasing white light in a compact form – with energy efficiency exceeding today's incandescent & fluorescent lamps. The U.S. Department of Energy is examining WOLEDs in the long-term interest of their solid-state lighting goals.

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CONSUMERS

From wall-sized TVs to computer screens, inside windshields & wearable displays, the future of OLEDs is as boundless as the human imagination. Our mission is to provide the technology that can make dreams a reality for consumers everywhere.



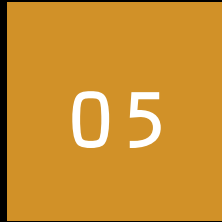
PARTIAL LIST OF PARTNERS

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- DUPONT DISPLAYS
- FLEXIBLE DISPLAY CENTER
- KYUNG HEE UNIVERSITY
- L-3 COMMUNICATIONS
- MOTOROLA
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- U.S. DEPARTMENT OF ENERGY
- U.S. DISPLAY CONSORTIUM
- VITEX SYSTEMS

In the future, a new class of intelligent universal communicators – featuring full-color displays that can be rolled up and put into your pocket – may be ubiquitous.

A shared vision.

OLEDs – sophisticated, yet simple – are illuminating the future. With every step forward, another possibility is unlocked. We have the privilege of partnering with global leaders in science, technology and manufacturing to realize those possibilities. Many of these enterprises are working to integrate our OLED technologies into products that could fundamentally reshape how the world sees and experiences displays. As we step into the future, Universal Display remains committed to that vision and to the imagination, knowledge and innovative spirit of our people.



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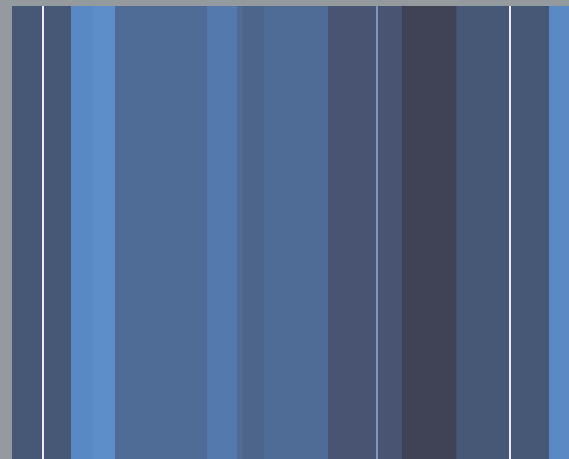
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