Cambridge Display Technology, Inc.
Form PREM14A
August 02, 2007
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. __)

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

x Preliminary Proxy Statement

¨ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

¨ Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

Cambridge Display Technology, Inc.

(Name of Registrant as Specified In Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

¨ No fee required.

x Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:
Common Stock, par value $0.001 of Cambridge Display Technology, Inc.

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(2) Aggregate number of securities to which transaction applies:
23,642,467 shares of Cambridge Display Technology, Inc. common stock (consisting of 21,631,703 outstanding shares of Cambridge Display Technology, Inc. common stock, 329,619 shares issuable upon the exercise of options with an exercise price of less than $12.00 per share that will be vested upon the consummation of the merger, 1,862,315 shares issuable pursuant to restricted stock unit agreements that will be vested upon the consummation of the merger or pursuant to other contractual arrangements and which are expected to be issued prior to consummation of the merger. Excludes 272,846 shares of stock held in treasury and 181,170 shares already owned by Sumitomo Chemical Co., Ltd, for which no cash payment will be made.).

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
The filing fee was determined by multiplying (x) 0.0000307 times (y) the sum of (1) 21,631,703, the aggregate number of shares of common stock issued and outstanding as of July 31, 2007, times $12.00,plus (2) 1,862,315, the aggregate number of shares issuable pursuant to restricted stock unit agreements and other contractual commitments as of July 31, 2007, times $12.00, plus (3) 329,619, the aggregate number of shares issuable under options that will be cashed out upon the merger, times $4.17, the difference between $12.00 and the weighted average exercise per share for such options, less (4) 181,170, the aggregate number of shares owned by Sumitomo Chemical Co., Ltd times $12.00.

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(4) Proposed maximum aggregate value of transaction:
$ 281,127,810

(5) Total fee paid:
$ 8,658

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Cambridge Display Technology, Inc.

c/o Cambridge Display Technology Limited

2020 Cambourne Business Park

Cambridge CB23 6DW, United Kingdom

+44 (0) 1954 713600

, 2007

Dear Stockholder:

On behalf of the Board of Directors of Cambridge Display Technology, Inc., you are cordially invited to attend a special meeting of stockholders to be held on , 2007 at 9:00 a.m., local time, at , New York, New York. At the special meeting, you will be asked to consider and vote upon a proposal to approve and adopt the Agreement and Plan of Merger, dated as of July 31, 2007, by and among Sumitomo Chemical Co., Ltd., its wholly-owned subsidiary Rosy Future, Inc., and CDT, referred to in the accompanying proxy statement as the merger agreement, and to approve the merger contemplated by the merger agreement. If the merger is completed, CDT will become a wholly-owned subsidiary of Sumitomo, and you will receive $12 in cash (without interest) for each share of our common stock that you own.

Our board of directors has unanimously determined that the merger is fair to, and in the best interests of, CDT and its stockholders and recommends that you vote for the adoption and approval of the merger agreement and approval of the merger at the special meeting.

We cannot complete the merger unless holders of a majority of the outstanding shares of our common stock vote to adopt and approve the merger agreement and the merger. Several entities associated with Kelso & Company, and certain management stockholders, have severally agreed pursuant to a support agreement with Sumitomo to vote all their shares of CDT common stock, representing approximately 43% of our issued and outstanding shares, in favor of adoption of the merger agreement and the merger. This support agreement would expire if the merger agreement were terminated (including if our board of directors decided to terminate the merger agreement to accept a superior company proposal).

Whether or not you plan to be present at the special meeting, please sign and return your proxy as soon as possible in the enclosed self-addressed envelope so that your vote will be recorded. Your vote is very important.

We encourage you to read the accompanying proxy statement carefully because it explains the proposed merger, the documents related to the merger and other related matters. You can also obtain other information about CDT from documents that we have filed with the Securities and Exchange Commission. If the merger agreement is adopted by the requisite holders of our common stock, the closing of the merger will occur as soon after the special meeting as all of the other conditions to the closing of the merger are satisfied or waived.

Sincerely,

David Fyfe

Chief Executive Officer

This proxy statement is dated , 2007 and is first being mailed to stockholders on or about , 2007.

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Cambridge Display Technology, Inc.

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To Be Held , 2007

To our Stockholders:

Cambridge Display Technology, Inc. will hold a Special Meeting of Stockholders at 9:00 a.m., local time, on , 2007, at , New York, New York.

We are holding the Special Meeting:

- to consider and vote upon a proposal to approve and adopt the Agreement and Plan of Merger, dated as of July 31, 2007, by and among Sumitomo Chemical Co., Ltd. (Sumitomo), Rosy Future, Inc. (Merger Sub), a direct wholly owned subsidiary of Sumitomo, and Cambridge Display Technology, Inc., and to approve the merger; and

- to transact such other business as may properly come before the Special Meeting and any adjournments or postponements of the Special Meeting.

Only stockholders of record at the close of business on , 2007 are entitled to notice of, and to vote at, the Special Meeting and any adjournments or postponements of the Special Meeting. For ten days prior to the Special Meeting, a complete list of stockholders entitled to vote at the Special Meeting will be available at the Corporate Secretary s office, c/o Cambridge Display Technology Limited, 2020 Cambourne Business Park, Cambridge CB23 6DW, United Kingdom.

The CDT board of directors unanimously recommends that stockholders vote FOR the approval and adoption of the merger agreement and approval of the merger at the Special Meeting.

It is important that your shares are represented at the Special Meeting. Even if you plan to attend the Special Meeting, we hope that you will promptly vote and submit your proxy by dating, signing and returning the enclosed proxy card. This will not limit your rights to attend or vote at the Special Meeting. If you hold shares through a broker or other nominee, you may be able to vote through the internet or by telephone in accordance with the instructions your broker or nominee provides.

You should not send your stock certificates with your proxy card.

By Order of our Board of Directors,

Hilary Charles

Corporate Secretary

Cambridge, United Kingdom

, 2007

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SUMMARY TERM SHEET

This summary term sheet highlights selected information from this proxy statement and may not contain all of the information that is important to you as a Cambridge Display Technology, Inc. stockholder or that you should consider before voting on the merger. To more fully understand the merger, you should read carefully this entire proxy statement and all of its annexes, including the merger agreement, which is attached as Annex A, before voting on whether to approve and adopt the merger agreement. All information in this proxy statement was prepared and supplied by Cambridge Display Technology, Inc., except for the descriptions of the businesses of Sumitomo and Merger Sub contained in this summary below under the heading The Companies, and under The Merger The Companies which were supplied by Sumitomo. We encourage you to carefully read this entire document and the documents to which we have referred you.

The Companies (Page 16)

Cambridge Display Technology, Inc.

Cambridge Display Technology, Inc. (CDT us, we, our) is a pioneer in the development of light emitting polymers (P-OLEDs) and their use in wide range of electronic display products used for information management, communications and entertainment. P-OLEDs are part of the family of organic light emitting diodes, or OLEDs, which are thin, lightweight and power efficient devices that emit light when an electric current flows. Our principal executive offices are located at our UK subsidiary, Cambridge Display Technology Limited, 2020 Cambourne Business Park, Cambridge, CB23 6DW, United Kingdon, and our telephone number there is 011 44 1954 713600.

Sumitomo Chemical Co., Ltd.

Sumitomo Chemical Co., Ltd. (Sumitomo) is one of Japan s leading chemical companies, offering a diverse range of products in the fields of basic chemicals, petrochemicals, fine chemicals, IT-related chemicals, agricultural chemicals and pharmaceuticals. While expanding business worldwide and aggressively pursuing cutting-edge research and development, Sumitomo continually strives to contribute to the sustainable development of society through its Responsible Care activities.

The principal executive offices of Sumitomo are located at 27-1, Shinkawa 2-chome, Chuo-ku, Tokyo 104-8260, Japan and its telephone number is +81 3 5543 5102.

Rosy Future, Inc.

Rosy Future, Inc. (Merger Sub) is a direct wholly-owned subsidiary of Sumitomo formed solely for the purpose of merging with and into CDT to facilitate the merger.

The mailing address of Merger Sub s principal executive offices is 27-1, Shinkawa 2-chome, Chuo-ku, Tokyo104-8260, Japan and its telephone number is +81 3 5543 5102.

The Merger Agreement (Page 36)

Structure and Effective Time; Merger Consideration; Treatment of Stock Options and Restricted Stock Units

In the merger, Merger Sub will merge with and into CDT, with CDT continuing as the surviving corporation and a wholly-owned subsidiary of Sumitomo. At the effective time and as a result of the merger, CDT stockholders will receive $12 in cash (without interest) for each share of our common stock. All of the options to purchase CDT common stock with an exercise price of less than $12 per share (whether or not vested) outstanding as of the effective time of the merger will be cancelled in exchange for a cash payment equal to the product of (1) the excess of $12 over the applicable option exercise price, and (2) the number of shares subject to

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such option. All restricted stock units (whether or not vested) outstanding as of the effective time of the merger will be cancelled in exchange for a cash payment equal to the product of (1) $12 and (2) the number of shares subject to such restricted stock unit. Any remaining options with exercise prices at or above $12 will be cancelled.

No Solicitation of Company Takeover Proposals

The merger agreement contains certain restrictions on our ability to solicit, initiate, encourage, participate in discussions or negotiations with, approve, endorse, make or authorize any public statement, or enter into an agreement with a third party, with respect to a proposal to acquire all, or any significant interest in, CDT. The merger agreement does not, however, prohibit us or our board of directors from considering and potentially approving and recommending an unsolicited superior proposal from a third party, if we and our board of directors comply with the appropriate provisions of the merger agreement.

Conditions to the Merger

Before the merger can be completed, a number of conditions must be satisfied. These include:

- approval and adoption of the merger agreement and approval of the merger by CDT s stockholders;
- the absence of any judgment or order issued by a court or any government entity which makes the merger illegal or otherwise restrains or prevents the merger;
- the absence of suits or actions challenging or seeking to make the merger illegal or otherwise prevent the merger or seeking damages that would be material to CDT and its subsidiaries as a whole, assuming the merger has been given effect;
- absence of any company material adverse effect (as defined in the merger agreement);
- holders of no more than 10% of the outstanding shares of CDT common stock exercising appraisal rights;
- performance by each party of its obligations under the merger agreement in all material respects; and
- accuracy of the parties representations and warranties, subject to materiality qualifications.

Consummation of the merger is not subject to a financing condition.

Termination of the Merger Agreement

The merger agreement may be terminated:

- by mutual written consent of Sumitomo and CDT;
- by Sumitomo or CDT, if the merger has not been consummated on or before March 31, 2008;

by Sumitomo or CDT, if a governmental entity takes any final and nonappealable action prohibiting the merger;

by Sumitomo or CDT, if the CDT stockholders do not approve and adopt the merger agreement and the merger;

by Sumitomo, if (i) our board withdraws or modifies, or proposes to withdraw or modify, in a manner adverse to Sumitomo, its approval or recommendation of the merger agreement, fails to recommend to CDT stockholders that they give their approval or approves or recommends, or proposes to approve or recommend, another company takeover proposal, (ii) our board fails to reaffirm unconditionally its recommendation to the CDT stockholders that they give their approval (including unconditionally rejecting any third party company takeover proposal) upon Sumitomo s request, or (iii) the non-solicitation provisions of the merger agreement are breached by us or any of our officers, directors, employees, representatives or agents;

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by Sumitomo or CDT, if the other party breaches any of its representations, warranties, covenants or agreements in the merger agreement, such that the closing conditions would not be satisfied, and such breach is incurable or, if it is curable, it is not cured within thirty days of written notice of the breach; or

by CDT, if we have entered into a definitive agreement with respect to a superior company proposal in accordance with the terms of the merger agreement, subject to payment of the termination fee described below.

We may terminate the merger agreement and enter into an agreement with a third party if CDT stockholders have not adopted the merger agreement, subject to the following requirements:

our board has received a superior company proposal (as defined in the merger agreement);

in light of such superior company proposal, a majority of our directors has determined in good faith (after having consulted with outside legal counsel) that it necessary for the board to withdraw or modify its approval or recommendation of the merger agreement or the merger in order to comply with its fiduciary duty under applicable law;

we have notified Sumitomo in writing of the foregoing determination by the board;

at least ten business days following receipt by Sumitomo of that notice, and taking into account any revised written proposal made by Sumitomo since receipt of that notice, such superior company proposal remains a superior company proposal, and a majority of the directors has again made the determinations referenced above, regarding their fiduciary duty;

we are in compliance with our non-solicitation obligations under the merger agreement; we pay the required termination fee; and we concurrently enter into a definitive agreement providing for implementation of the superior company proposal.

Termination Fees if the Merger Agreement is Terminated

If the merger agreement is terminated, we have agreed to pay Sumitomo a termination fee of $11.25 million under the following circumstances:

if the merger agreement is terminated by CDT because CDT enters into a definitive binding agreement with respect to a superior company proposal; or

if the merger agreement is terminated by Sumitomo, because prior to the CDT stockholders adoption and approval of the merger agreement and the merger, CDT s board of directors (i) withdraws or modifies, or proposes to withdraw or modify, in a manner adverse to Sumitomo, its approval or recommendation of the merger agreement or the merger, fails to recommend that CDT stockholders give their approval, or approves or recommends, or proposes to approve or recommend, any company takeover proposal, or (ii) fails to reaffirm unconditionally its recommendation to CDT stockholders that they give the company stockholder approval (including unconditionally rejecting any third party company takeover proposal) upon Sumitomo s request;

if the merger agreement is terminated by Sumitomo because CDT breached or failed to perform any of its representations, warranties, covenants or agreements in the merger agreement, such that the closing conditions would not be satisfied, and such breach is incurable or, if it is curable, it is not cured within thirty days of written notice of the breach and within one year of the termination CDT enters into a definitive agreement with respect to (or consummates) a change of control transaction;

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- if the merger agreement is terminated by Sumitomo because our non-solicitation obligations under the merger agreement are breached by us or any of our officers, directors, employees, representatives or agents, and within one year of the termination CDT enters into a definitive agreement with respect to (or consummates) a change of control transaction;

We have agreed to reimburse Sumitomo for $5 million of its out-of-pocket expenses (of which $1 million would be payable on termination and $4 million plus 5% interest would be payable no later than 15 months after termination) if the merger agreement is terminated by Sumitomo because:

- we breach or fail to perform any of our representations, warranties, covenants or agreements in the merger agreement, such that the closing conditions would not be satisfied, and such breach is incurable or, if it is curable, it is not cured within thirty days of written notice of the breach; or

- our non-solicitation obligations under the merger agreement are breached by us or any of our officers, directors, employees, representatives or agents.

In either of the foregoing situations, expense amounts reimbursed to Sumitomo would be credited against any termination fee paid upon a change of control transaction that is agreed (or consummated) in the year following termination.

Finally, we have agreed to reimburse Sumitomo and Merger Sub for specified expenses actually incurred (not to exceed $8 million) under the following circumstances:

- the merger agreement is terminated by the mutual agreement of Sumitomo and us and within one year of the termination we enter into a definitive agreement with respect to (or consummate) a change of control transaction;

- the merger agreement is terminated by either Sumitomo or us because the merger fails to close on or prior to March 31, 2008 and within one year of the termination we enter into a definitive agreement with respect to (or consummate) a change of control transaction; or

- the merger agreement is terminated by either Sumitomo or us because our stockholders vote against the transaction and within one year of the termination we enter into a definitive agreement with respect to (or consummate) a change of control transaction.

The Special Meeting (Page 13)

General; Matters to be Considered

The special meeting of our stockholders will be held on , 2007 at 9:00 a.m. local time, at , New York, New York. At the special meeting, you will be asked to consider and vote upon the approval and adoption of the merger agreement and approval of the merger.

Record Date and Quorum; Required Vote

If you owned shares of CDT common stock at the close of business on , 2007, the record date for the special meeting, you are entitled to vote at the special meeting. You have one vote for each share of CDT common stock owned on the record date. As of , 2007, there are shares of CDT common stock outstanding and entitled to be voted. Approval and adoption of the merger agreement and approval of the merger requires the affirmative vote of the holders of a majority of the outstanding shares of CDT common stock. A failure to vote your shares of CDT common stock or an abstention will have the same effect as a vote against the merger.

You may vote by returning the enclosed proxy. If you hold your shares through a broker or other nominee, you may also be able to vote through the internet or by telephone in accordance with instructions your broker or nominee provides.

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Shares Owned by CDT Affiliates, Directors and Executive Officers; Support Agreement (Page 33)

As of July 31, 2007, our affiliates, directors and current executive officers owned approximately 43% of the outstanding shares of CDT common stock, excluding restricted stock units and options. They have each advised us of their intention to vote all of their shares in favor of approval and adoption of the merger agreement and approval of the merger. Each affiliate and director and executive officer that owns shares of our common stock has also entered into a support agreement with Sumitomo that obligates each of them to vote their shares in favor of the merger, and against any competing transaction. This support agreement would expire if the merger agreement were terminated (including if our board of directors decided to terminate the merger agreement to accept a superior proposal).

Reasons for the Merger; Recommendation of Our Board of Directors (Pages 21-23)

Our board of directors unanimously approved and adopted the merger agreement, and recommends that our stockholders vote in favor of the adoption and approval of the merger agreement and the approval of the merger. You should review the factors that our board considered when deciding whether to approve the merger.

Fairness Opinion of Financial Advisor (Page 23)

In deciding to approve the merger and adopt and approve the merger agreement, our board considered the fairness opinion of our financial advisor Cowen and Company, LLC (Cowen).

Opinion of Our Financial Advisor

Cowen delivered its oral opinion to our board on July 31, 2007 (Japan time), which opinion was subsequently confirmed in writing, to the effect that, as of such date and based upon and subject to the factors and assumptions set forth in the opinion, the $12 cash per share in cash consideration to be received by the holders of our common stock pursuant to the merger agreement was fair, from a financial point of view, to such holders.

The full text of Cowen s written opinion is attached to this proxy statement as Annex C and is incorporated by reference into this proxy statement. We encourage you to read this opinion carefully in its entirety for a description of the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinions. Cowen s opinion is addressed to our board, and is one of many factors considered by our board in deciding to approve the merger.

Material United States Federal Income Tax Consequences (Page 29)

For stockholders subject to United States federal income tax, the receipt of cash in exchange for shares of our common stock pursuant to the merger will be a taxable transaction. In general, a stockholder who receives cash in exchange for shares pursuant to the merger will recognize gain or loss for United States federal income tax purposes equal to the difference, if any, between the amount of cash received and the holder s adjusted tax basis in the shares exchanged for cash pursuant to the merger. If the shares exchanged constitute capital assets in the hands of the stockholder, the gain or loss will be capital gain or loss, and, generally speaking, will be long-term capital gain or loss, if the shares have been held by the stockholder for more than one year. The deductibility of capital losses is subject to limitations.

THE FOREGOING DOES NOT PURPORT TO BE A COMPLETE ANALYSIS OF THE POTENTIAL TAX CONSIDERATIONS RELATING TO THE MERGER, AND IS NOT TAX ADVICE. WE RECOMMEND THAT YOU CONSULT YOUR TAX ADVISORS AS TO THE SPECIFIC TAX CONSEQUENCES OF THE MERGER TO YOU, INCLUDING THE APPLICABILITY OF UNITED STATES FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX LAWS.

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Regulatory Matters (Page 31)

We do not believe that any anti-trust, competition law or other regulatory approvals are required in relation to the merger in any jurisdiction.

Appraisal Rights (Page 33)

Under Delaware law, holders of our common stock who do not vote in favor of approving and adopting the merger agreement will have the right to seek appraisal of the fair value of their shares of our common stock as determined by the Delaware Court of Chancery if the merger is completed, but only if they comply with all requirements of Delaware law, which are summarized in this proxy statement. This appraisal amount could be more than, the same as or less than the merger consideration. Any holder of our common stock intending to exercise such holder s appraisal rights, among other things, must submit a written demand for an appraisal to us prior to the vote on the approval and adoption of the merger agreement and must not vote or otherwise submit a proxy in favor of approval and adoption of the merger agreement. Your failure to follow exactly the procedures specified under Delaware law will result in the loss of your appraisal rights.

Interest of Certain Persons in the Merger (Page 31)

Our executive officers and directors have interests in the merger that are different from, or in addition to, their interests as CDT stockholders. These interests include:

- accelerated vesting of their unvested stock options and restricted stock units;
- for our Chief Executive Officer, immediate entitlement to a $500,000 pension payment which would otherwise have been payable in equal monthly installments over a five year period commencing January 2009;
- for our Chief Executive Officer, if his management status were to change in a manner that meaningfully and detrimentally changes his responsibilities, span of control or authority to operate, he has the right to terminate his employment contract for good reason ;
- all our executive officers, including our Chief Executive Officer, have employment agreements pursuant to which they have an entitlement to receive between six and twelve months notice of termination of employment, or pay in lieu thereof, and are therefore insulated from reorganization by the acquiror; and
- for all directors and executive officers, indemnification and directors , officers and fiduciaries liability insurance.

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QUESTIONS AND ANSWERS

Q. Why am I receiving this proxy statement?

A. We have entered into a merger agreement with Sumitomo. Upon completion of the merger, CDT will become a wholly-owned subsidiary of Sumitomo and holders of our common stock will be entitled to receive $12 in cash per share, without interest. A copy of the merger agreement is attached to this proxy statement as Annex A.

Q. What will I receive in the merger?

A. You will receive $12 in cash, without interest, for each share of our common stock that you own. For example, if you own 100 shares of our common stock, you will receive $1200 in cash in exchange for your CDT shares.

Q. What do I need to do now?

A. We urge you to read this proxy statement carefully, including its annexes, and to consider how the merger affects you. After carefully reading and considering the information contained in this proxy statement, please vote your shares of CDT common stock as soon as possible. You may vote your shares by returning the enclosed proxy. In addition, if you hold your shares through a broker or other nominee, you may be able to vote through the internet or by telephone in accordance with instructions your broker or nominee provides. Your proxy materials include detailed information on how to vote.

Q. How does the CDT board of directors recommend that I vote?

A. Our board of directors unanimously recommends that CDT stockholders vote FOR the adoption and approval of the merger agreement and approval of the merger. You should read The Merger Reasons for the Merger for a discussion of the factors that our board of directors considered in deciding to recommend the approval and adoption of the merger agreement.

Q. Will I have the right to have my shares appraised if I dissent from the merger?

A. Yes, you will have appraisal rights. If you wish to exercise your appraisal rights, you must not vote in favor of the merger and you must strictly follow the other requirements of Delaware law. A summary describing the requirements you must meet in order to exercise your appraisal rights is in the section entitled Appraisal Rights beginning on page 33 of this proxy statement.

Q. Where and when is the special meeting?

A. The special meeting will take place at , New York, New York on , 2007 at 9:00 a.m. local time.

Q. What vote of our stockholders is required to approve and adopt the merger agreement?

A. For us to complete the merger, stockholders holding at least a majority of the shares of our common stock outstanding at the close of business on the record date must vote FOR the approval and adoption of the merger agreement and approval of the merger. Accordingly, a failure to vote or an abstention will have the same effect as a vote against approval and adoption of the merger agreement and approval of the merger.

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Q. Have any affiliates, executive officers or directors of CDT agreed to vote in favor of the approval and adoption of the merger agreement as stockholders?

A. All affiliates, executive officers and directors that hold shares of CDT common stock have agreed to vote as stockholders for the approval and adoption of the merger agreement and approval of the merger. They have all entered into a support agreement with Sumitomo that obligates each of them to do so. This support agreement expires under certain circumstances. See The Merger Support Agreement.

Q. Is the merger expected to be taxable to me?

A. The receipt of cash in connection in exchange for shares of our common stock pursuant to the merger will be a taxable transaction for stockholders subject to United States federal income tax. For United States federal income tax purposes, generally you will recognize gain or loss as a result of the merger measured by the difference, if any, between the amount of cash received in exchange for shares of our common stock pursuant to the merger and your adjusted tax basis in such shares. You should read The Merger Material United States Federal Income Tax Consequences beginning on page 29 for a more complete discussion of the federal income tax consequences of the merger.

The receipt of cash in exchange for shares of our common stock pursuant to the merger may be a taxable transaction for stockholders subject to taxation in non-US jurisdictions.

Tax matters can be complicated, and the tax consequences of the merger to you will depend on your particular tax situation. We urge you to consult your tax advisor on the tax consequences of the merger to you.

Q. If my shares are held in street name by my broker, will my broker vote my shares for me?

A. Yes, but only if you provide instructions to your broker on how to vote. You should follow the directions provided by your broker to vote your shares. Without those instructions, your shares will not be voted, which will have the same effect as voting against the merger.

Q. What do I do if I want to change my vote?

A. If you want to change your vote, notify the General Counsel of CDT in writing or submit a new proxy by mail dated after the date of the proxy being changed. Allow enough time for your notice or proxy to be delivered prior to the special meeting. You may alternatively attend the special meeting and vote in person. If you have instructed a broker to vote your shares, however, you must follow the instructions received from your broker to change your vote.

Q. When is the merger expected to be completed?

A. We are working towards completing the merger as quickly as possible, and we anticipate that it will be completed by late summer or early fall of 2007. In order to complete the merger, we must obtain stockholder approval and satisfy the other closing conditions under the merger agreement. See The Merger Agreement Conditions to Completion of the Merger.

Q. Should I send in my stock certificates now?

A. No, after the merger is completed, the paying agent will send you written instructions for exchanging your CDT stock certificates in order to receive the merger consideration. You must return your CDT stock certificates as described in the instructions. DO NOT SEND ANY STOCK CERTIFICATES WITH YOUR PROXY.

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Q. Where can I find more information about CDT?

A. We file periodic reports and other information with the Securities and Exchange Commission. This information is available at the Securities and Exchange Commission s public reference facilities, and the internet site maintained by the Securities and Exchange Commission at http://www.sec.gov. For a more detailed description of the information available, please see the section entitled Where You Can Obtain Additional Information.

Q. Who can help answer my questions?

A. If you have questions about the special meeting or the merger, need assistance submitting your proxy or voting your shares or need additional copies of the proxy statement or the enclosed proxy card, you should contact Georgeson Shareholder, our proxy solicitation agent, at . If your broker holds your shares, you should also contact your broker for additional information.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The information contained in this proxy statement contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which are intended to be covered by the safe harbors created thereby. All statements herein that are not historical facts, including statements about our beliefs, plans, objectives or expectations, are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as may, will, should, expect, plan, intend, anticipate, believe, estimate, potential or continue, the negative of these terms or other comparable terminology. These statements are only predictions and involve risks, uncertainties and other factors that could cause actual results to differ materially from those which are anticipated. These risks and uncertainties include, but are not limited to:

- risks that the merger will not be completed;
- risks that stockholder approval may not be obtained for the merger;
- adverse developments that could have the effect of delaying or preventing the merger;
- the reaction of our customers, partners and employees to the proposed merger and the consequent effect on our business;
- costs and other effects associated with litigation and the protection of our intellectual property rights; and
- costs related to the merger, as well as other risks detailed from time to time in the reports we file with the U.S. Securities Exchange Commission.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. Other factors and assumptions not identified above could also cause the actual results to differ materially from those set forth in the forward-looking statements. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The forward-looking statements should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 and our subsequent Quarterly Reports on Form 10-Q. Our reports on Form 10-K and Form 10-Q are on file with the SEC, and copies are available without charge upon written request to our Corporate Secretary at the address provided in Where You Can Obtain Additional Information.

All information contained in this proxy statement specifically relating to Sumitomo and Merger Sub has been supplied by Sumitomo.

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RISK FACTORS

You should carefully consider the following factors and the other information in this proxy statement before voting on the proposal to approve and adopt the merger agreement and approve the merger.

We cannot assure you that the merger will provide greater value to you than you would have if CDT continued as an independent public company.

Upon completion of the merger, our stockholders will have the right to receive $12, without interest, for each outstanding share of our common stock held by such stockholder. The closing price per share of our common stock on the NASDAQ Global Market on July 30, 2007, the last trading day before we announced the merger agreement with Sumitomo, was $6.15. During the 12-month period ending on , the most recent date prior to the mailing of this proxy statement, the closing price of our common stock varied from a low of $ to a high of $ and ended that period at $. We are unable to predict with certainty our future prospects or the market price of our common stock. Therefore, we cannot assure you that the merger will provide greater value to you than you would have received if CDT continued as an independent public company.

Failure to complete the merger could have a negative impact on the market price of our common stock and on our business.

If the merger is not completed, the price of our common stock may decline to the extent that the current market price reflects a market assumption that the merger will be completed. In addition, our business and operations may be harmed to the extent that customers, suppliers and others believe that we cannot compete effectively in the marketplace without the merger. We also will be required to pay significant costs incurred in connection with the merger, whether or not the merger is completed. Moreover, under specified circumstances we may be required to pay a termination fee of $11.25 million to Sumitomo in connection with a termination of the merger agreement or to reimburse Sumitomo for their expenses up to $8 million.

The no solicitation restrictions and the termination fee provisions in the merger agreement may discourage other companies from trying to acquire CDT.

While the merger agreement is in effect, subject to specified exceptions, we are prohibited from entering into or soliciting, initiating or encouraging any inquiries or proposals that may lead to a proposal or offer for a merger or other business combination transaction with any person other than Sumitomo. In addition, in the merger agreement, we agreed to pay a termination fee to Sumitomo in specified circumstances. These provisions could discourage other parties from trying to acquire our company even though those other parties might be willing to offer greater value to our stockholders than Sumitomo has offered in the merger agreement.

Our directors and officers have potential conflicts of interest that may have influenced their decision to support the merger.

You should be aware of potential conflicts of interest, and the benefits available to directors and officers of CDT, when considering the board s recommendation of the merger. Our executive officers and directors have interests in the merger that are different from, or in addition to, their interests as CDT stockholders. The CDT board was aware of these conflicts of interest when it approved the merger. These interests include:

- accelerated vesting of their unvested stock options and restricted stock units;
- for our Chief Executive Officer, immediate entitlement to a $500,000 pension payment which would otherwise have been payable in equal monthly installments over a five year period commencing January 2009;
- for our Chief Executive Officer, if his management status were to change in a manner that meaningfully and detrimentally changes his responsibilities, span of control or authority to operate, he has the right to terminate his employment contract for good reason ;

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all our executive officers, including our Chief Executive Officer, have employment agreements pursuant to which they have an entitlement to receive between six and twelve months notice of termination of employment, or pay in lieu thereof, and are therefore insulated from reorganization by the acquiror; and

for all directors and executive officers, indemnification and directors , officers and fiduciaries liability insurance.

See also The Merger Interest of Certain Persons in the Merger on page 31.

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THE SPECIAL MEETING

General

This proxy statement is being furnished to CDT stockholders as part of the solicitation of proxies by the CDT board of directors for use at the special meeting to be held at , New York, New York, at 9:00 a.m. local time, on , 2007.

Matters to be Considered

The purpose of the special meeting will be to consider and vote upon a proposal to approve the merger and approve and adopt the Agreement and Plan of Merger, dated as of July 31, 2007, by and among Sumitomo, Merger Sub and CDT, referred to in this proxy statement as the merger agreement. We do not expect that any matter other than the proposal to approve the merger and approve and adopt the merger agreement will be brought before the special meeting other than possible postponements or adjournments of the special meeting.

Record Date and Quorum

The holders of record of CDT common stock as of the close of business on , 2007, the record date for the special meeting, are entitled to receive notice of, and to vote at, the special meeting. On the record date, there were shares of CDT common stock outstanding.

The holders of a majority of the outstanding shares of CDT common stock on the record date represented in person or by proxy, will constitute a quorum for purposes of the special meeting. A quorum is necessary to hold the special meeting. Shares of CDT common stock held in treasury by CDT are not considered to be outstanding for purposes of determining a quorum. Abstentions and broker non-votes will be treated as present for purposes of determining the presence of a quorum. Once a share is represented at the special meeting, it will be counted for the purpose of determining a quorum at the special meeting and any adjournment or postponement of the special meeting, unless the holder is present solely to object to the special meeting. However, if a new record date is set for the adjourned special meeting, then a new quorum will have to be established.

Required Vote

Each outstanding share of CDT common stock held of record on , 2007 entitles the holder to one vote at the special meeting. In order for your shares of CDT common stock to be included in the vote, you must vote your shares by submitting your proxy by returning the enclosed proxy card by mail, or voting in person at the special meeting. If you hold your shares through a broker or other nominee, you may receive separate voting instructions with the proxy statement. Your broker or nominee may provide voting through the Internet or by telephone. Please contact your broker to determine how to vote.

Completion of the merger requires the approval and adoption of the merger agreement by the affirmative vote of the holders of a majority of the outstanding shares of CDT common stock. **Because the affirmative vote of the holders of a majority of the outstanding shares of CDT common stock entitled to vote at the special meeting is needed to approve the merger agreement, the failure to vote by proxy or in person will have the same effect as a vote against the merger agreement. Abstention and broker non-votes also will have the same effect as a vote against the merger. Accordingly, the CDT board of directors urges stockholders to complete, date, sign and return the accompanying proxy card or, if available, to vote by the Internet or telephone.**

Shares Owned by Our Affiliates, Directors and Executive Officers

As of July 31, 2007, the affiliates, directors and executive officers of CDT owned, in the aggregate, shares of CDT common stock (excluding options and restricted stock units), representing approximately 43% of the

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outstanding shares of CDT common stock. The affiliates, directors and executive officers that own shares of our common stock have informed us that they intend to vote all of their shares of CDT common stock in favor of the approval and adoption of the merger agreement and approval of the merger. Each affiliate, director and officer that owns shares of our common stock has also entered into a support agreement with Sumitomo on July 31, 2007 that obligates each of them to vote their shares in favor of the merger, and against any competing transaction. See The Merger Support Agreement.

Proxies; Revocation

Each copy of this document mailed to CDT stockholders is accompanied by a form of proxy and a self-addressed envelope. You should complete and return the proxy card accompanying this document to ensure that your vote is counted at the special meeting, or at any adjournment or postponement thereof, regardless of whether you plan to attend the special meeting.

You can revoke your proxy at any time before the vote is taken at the special meeting. If you have not voted through your broker, you may revoke your proxy by:

- submitting written notice of revocation to the Secretary of CDT prior to the voting of the proxy, which is dated a later date than the proxy, or
- submitting a properly executed later-dated proxy, or voting in person at the special meeting; however, simply attending the special meeting without voting will not revoke an earlier proxy.

Written notices of revocation and other communications about revoking your proxy should be addressed to:

Cambridge Display Technology, Inc.

c/o Cambridge Display Technology Limited

2020 Cambourne Business Park

Cambridge

CB23 6DW

United Kingdom

Attention: Hilary Charles,

General Counsel

If your shares are held in street name, you should follow the instructions of your broker or nominee regarding the revocation of proxies. If your broker or nominee allows you to vote by telephone or the Internet, you may be able to change your vote by voting again by the telephone or the Internet.

All shares represented by valid proxies we receive through this solicitation, which proxies are not revoked, will be voted in accordance with your instructions on the proxy card. If you make no specification on your proxy card as to how you want your shares voted before signing and returning it, your proxy will be voted FOR approval and adoption of the merger agreement and approval of the merger. If you vote your shares of CDT common stock through the telephone or the Internet, your shares will be voted at the special meeting as instructed.

CDT Stock Certificates

PLEASE DO NOT SEND YOUR CDT COMMON STOCK CERTIFICATES TO US NOW. AS SOON AS REASONABLY PRACTICABLE AFTER THE EFFECTIVE TIME OF THE MERGER, THE PAYING AGENT WILL MAIL A LETTER OF TRANSMITTAL TO YOU. YOU

SHOULD SEND YOUR CDT COMMON STOCK CERTIFICATES ONLY IN COMPLIANCE WITH THE INSTRUCTIONS THAT WILL BE PROVIDED IN THE LETTER OF TRANSMITTAL.

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Adjournments and Postponements

Although it is not currently expected, the special meeting may be adjourned or postponed for the purpose of soliciting additional proxies. Any adjournment may be made without notice, other than by an announcement made at the special meeting. A majority in interest of the stockholders present at the special meeting may adjourn the special meeting. Any signed proxies received by CDT will be voted in favor of an adjournment in these circumstances, although a proxy voted AGAINST the adoption of the merger agreement will not be voted in favor of an adjournment for the purpose of soliciting additional proxies. Any adjournment or postponement of the special meeting for the purpose of soliciting additional proxies will allow CDT s stockholders who have already sent in their proxies to revoke them at any time prior to their use at the special meeting as adjourned or postponed.

Effect of Abstentions and Non-Broker Votes

Absent specific instructions from the beneficial owner of shares, brokers may not vote the shares with respect to the approval and adoption of the merger agreement. **For purposes of determining approval and adoption of the merger agreement, abstention and broker non-votes will have the same effect as a vote against the merger agreement.**

Solicitation of Proxies

CDT will pay for the costs associated with printing and filing this proxy statement and soliciting proxies for the special meeting. Officers and employees of CDT may solicit proxies by telephone or in person. However, they will not be paid for soliciting proxies. CDT also will request that persons and entities holding shares in their names, or in the names of their nominees that are beneficially owned by others, to send proxy materials to and obtain proxies from those beneficial owners, and will reimburse those holders for their reasonable expenses in performing those services. CDT has retained Georgeson Shareholder to assist in the solicitation of proxies at an anticipated cost of $10,000, plus reimbursement of out-of-pocket expenses.

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THE MERGER

Introduction

CDT is seeking approval of its stockholders for the merger and the merger agreement by and among Sumitomo, Merger Sub and CDT. In connection with the merger, CDT stockholders would receive $12 in cash for each share of CDT common stock outstanding immediately prior to the merger.

The Companies

Cambridge Display Technology, Inc.

Cambridge Display Technology, Inc. is a pioneer in the development of light emitting polymers (P-OLEDs) and their use in a wide range of electronic display products used for information management, communications and entertainment. P-OLEDs are part of the family of organic light emitting diodes, or OLEDs, which are thin, lightweight and power efficient devices that emit light when an electric current flows.

Our principal executive offices are located at our UK subsidiary, Cambridge Display Technology Limited, 2020 Cambourne Business Park, Cambridge, CB23 6DW, United Kingdom, and our telephone number there is 011 44 1954 713600.

CDT s common stock is traded on The Nasdaq Global Market under the symbol OLED .

Sumitomo Chemical Co., Ltd.

Sumitomo Chemical is one of Japan s leading chemical companies, offering a diverse range of products in the fields of basic chemicals, petrochemicals, fine chemicals, IT-related chemicals, agricultural chemicals and parmaceuticals. While expanding business worldwide and aggressively pursuing cutting-edge R&D, it continually strives to contribute to the sustainable development of society through its Responsible Care activities.

The principal executive offices of Sumitomo are located at 27-1, Shinkawa 2-chome, Chuo-ku, Tokyo 104-8260, Japan and its telephone number is +81 3 5543 5102.

Rosy Future, Inc.

Rosy Future, Inc. is a direct wholly-owned subsidiary of Sumitomo formed solely for the purpose of merging with and into CDT to facilitate the merger.

The principal executive offices of Rosy Future, Inc. are located at 27-1, Shinkawa 2-chome, Chuo-ku, Tokyo 104-8260, Japan and its telephone number is +81 3 5543 5102.

Background of the Merger

(Note: all discussions between the parties described below are called meetings . These meetings took place in various locations and via teleconference.)

Our board of directors and senior management periodically have reviewed and assessed our business strategy, the various trends and conditions affecting our business generally, and a variety of strategic and business alternatives available to the company, including the possibility of selling the company if an attractive offer could be obtained. In addition, in the course of our regular, ongoing discussions with other companies in our industry concerning commercial matters, our senior managers, and in 2003 an investment banking firm, from time to time have had informal discussions with some of these companies concerning their possible interest in acquiring or merging with the company. Nothing has ever seriously developed from these discussions other than the merger discussions described below.

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In 2001, Sumitomo entered into a license agreement with us for the manufacture and sale of polymer OLED materials. and in 2003 took another license to intellectual property, or IP, which we had acquired in late 2002 from Opsys Ltd. In 2004 and 2005 we entered into joint development agreements with Sumitomo and in 2004 entered into a display license option agreement with Sumitomo. In April 2005 we helped Sumitomo acquire the polymer OLED business of Dow Chemical and in November 2005, we formed a joint venture with Sumitomo, named Sumation, to carry out research and development into polymer OLED materials and to manufacture and sell those materials. The assets of Dow Chemical acquired by Sumitomo were contributed to this JV. CDT s contribution to the Sumation JV was the services of its polymer- OLED materials development group and a royalty holiday on the license granted to Sumitomo in 2004. Under the terms of the joint venture certain put-call arrangements would have come into force in 2010.

In late 2005, we were approached by a financial advisor representing an Asian company and requesting limited due diligence access in relation to a potential acquisition of CDT. We granted limited due diligence but, in early 2006 we were advised that the Asian company would not be making an offer. No further discussions with regard to any acquisition were held with this company.

On February 28, 2007, Dr. SB Cha, our Vice-President Commercial, met with Mr. Jun Yamamoto, General Manager, Corporate Planning and Co-ordination Office of Sumitomo, to prepare for a high level meeting between the two companies which had been scheduled for March 2007 concerning our commercial plans for the future and how these plans would impact on Sumation. Sumitomo introduced at the meeting the possibility it might seek a closer relationship with us so that the commercial strategies of Sumation and ourselves could be better aligned. A closer relationship could include a Sumitomo equity investment in CDT and Sumitomo representation on our board of directors.

On March 13, 2007, Dr. Cha and Mr. Yamamoto met again and discussed how such a strategic alignment would be possible. Various options were discussed including a minority investment by Sumitomo, a majority investment and a 100% acquisition. We agreed to provide written materials to assist Sumitomo in their internal discussions on this matter. Dr. Cha described to Mr. Yamamoto that he had discussed the matter with CDT s board chairman David Fyfe, and with CDT senior management.

On March 15, 2007 Dr. Fyfe sent a letter to Mr. Kiyohiko Nakae, Managing Executive Officer of Sumitomo, which included some basic financial information about CDT. This letter also indicated that it was our view that, if Sumitomo wanted to significantly influence our strategy for polymer OLED commercialization, then the only effective way of doing so would be to acquire us.

On March 21, 2007, Mr. Michael Black, our Chief Financial Officer, met with Mr. Wakemi and held detailed discussions on the financial information which had been provided to Sumitomo. On March 22, 2007, Dr. Fyfe and Mr. Black met with Mr. Nakae, Mr. Yamamoto and Mr. Wakemi. During this meeting, after hearing why minority or majority ownership would be inappropriate for Sumitomo s objectives, Sumitomo indicated that they were prepared to make an offer to acquire us.

On March 23, 2007, we initiated discussions with Cowen and Company, LLC with a view to appointing them as financial advisors on the transaction and with Cadwalader, Wickersham and Taft LLP with a view to appointing them to act as our legal counsel on the transaction.

On March 26, 2007, Cowen and Company, LLC presented to our board their advice on managing a potential transaction and whether or not pro-active marketing of CDT would be advisable.

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On April 18, 2007, Dr. Fyfe and Mr. Black met with Mr. Nakae, Mr. Yamamoto and Mr. Wakemi. During this meeting, Sumitomo confirmed their intention to offer to acquire 100% of our common stock and indicated a price range of $8 to $9 per share, which was in significantly in excess of the then prevailing market price of our common stock. We replied that their proposal was interesting to us and that, based on its indicative price level, we would be prepared to grant due diligence subject to the execution of a confidentiality agreement. We indicated, however, that the price level of their offer was not sufficient for us to grant exclusivity to them. We also explained to Sumitomo that their indication of interest put us in a difficult position with regard to equity funding since we required additional funding but, since we could not (consistent with the confidentiality agreement) disclose their interest in a potential acquisition, we would be unable to issue equity in order to obtain such funding. We asked if Sumitomo would consider purchasing a license from us, on normal commercial terms and not as a condition to, or as part of, the acquisition discussions, as a mutually beneficial means of providing funding to us. Such a license would also serve to protect Sumitomo s commercial interests, in case no acquisition was concluded. Sumitomo agreed to negotiate in good faith to enter into such a license agreement and we agreed to attempt to close a license sale by June 30, 2007.

On April 23, 2007, a letter was received from Sumitomo confirming the price range which had been indicated and requesting due diligence facilities. We replied on April 25, 2007 indicating that we would grant due diligence. On April 27, 2007 we entered into a confidentiality and standstill agreement with Sumitomo.

On May 2, 2007 a team from Sumitomo, together with professional advisors, met with our management team and our professional advisors and received detailed management presentations. Further meetings and a site tour were held at our technology development centre on May 3, 2007 and May 4, 2007. Following these meetings an electronic data room was opened and detailed information about CDT was provided. In addition, access was provided to the professional advisors of Sumitomo to visit our sites and meet with certain of our staff.

On May 10, 2007 Dr. Fyfe met with a US company representing Asian interests. This company made a proposal to acquire 51% of our stock by means of an investment in new equity at a price below market. Dr. Fyfe indicated that such a deal would be very difficult for us to agree to as it would prejudice the interests of the minority shareholders.

On May 14, 2007, Dr. Cha and Mr. Black met with Mr. Yamamoto and Mr. Wakemi to review our financial projections. Financial advisors from both sides attended this meeting. During the meeting, we discussed the likely timing of P-OLED technology adoption and the impact of that adoption on our financial projections.

On May 17, Dr. Brown met with Mr. Ikuzo Ogawa, General Manager, Corporate Planning & Coordination Office of Sumitomo, to provide supplementary information on research and development organization and activities.

On May 18, 2007, Dr. Cha met with Mr. Yamamoto. They discussed the due diligence process, including IP due diligence, which Sumitomo indicated was proceeding at a satisfactory pace. Sumitomo indicated that they had not identified any significant and unanticipated issues with the strength of our patent portfolio. Sumitomo indicated that, in due course, their financial advisors would wish to engage in more detailed discussions with our financial advisors with respect to our valuation. Sumitomo indicated that they were prepared to offer a sufficient premium over the current market price in order to ensure that approval by our stockholders would be very likely. Sumitomo indicated that they would like to discuss the transaction with Kelso, our principal stockholder, and to request that they enter into a support agreement simultaneously with the signing of the definitive merger agreement.

On May 24, 2007, Dr. Fyfe met with Mr. Ogawa and Mr. Wakemi to discuss personnel issues with regard to how CDT management and employees would react to an acquisition by Sumitomo. Mr. Ogawa and Mr. Wakemi then held separate management interviews with Dr. Jeremy Burroughes, our Chief Technical Officer, Dr. Scott Brown, our Vice-President of Research and Dr. Jim Veninger, our Vice-President of Technology Development. Later that day, Dr. Fyfe, Mr. Black and Dr. Cha met with Mr. Ogawa and Mr. Wakemi to discuss which

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stockholders should be asked to sign a support agreement and what other actions could be taken to encourage stockholder approval. We advised Sumitomo that a final offer price which represented a significant premium over market and which properly reflected our value given recent technical progress and market developments would be the most significant factor to encourage stockholder approval.

On May 25, 2007, Mr. Black and Dr. Cha met with Mr. Wakemi, together with financial advisors from both sides to further discuss our financial projections. During this discussions, we explained to Sumitomo that our financial model currently only includes our current licensing business and does not include future revenues from our Total Matrix Addressing (TMA) technology whose value we did not believe was appropriately reflected in our current stock price.

On June 5, 2007, our board met with our financial advisors and outside counsel and considered options which were available to it, including a possible auction of the company. The directors concluded that continuing as an independent entity was a viable alternative which could generate significant value for stockholders but that selling the company for cash at a significant premium could produce equivalent or better value given the still substantial risk that the technology would not be widely adopted within a reasonable timeframe. The board determined that no action need be taken to actively shop the company since this would put at risk the current proposed transaction with Sumitomo but that any approaches received would have to be considered. The board took into consideration that alternative bidders remained free to make an offer, as Sumitomo had not been granted exclusivity, and that were a definitive agreement concluded with Sumitomo, such an agreement would contain a standard fiduciary out provision that would allow the board to evaluate, and if required accept, an alternative superior proposal. Our board agreed that the approach received from the US company representing Asian interests was significantly inferior to Sumitomo s indicated offer and that we should respond to that company that their proposal was not viable from our point of view.

On June 7, 2007 Dr. Cha met with Mr. Yamamoto and Mr. Wakemi. They agreed that our respective financial advisors should now meet directly to discuss valuation and price. After that meeting, a price negotiation meeting between Sumitomo and ourselves would be arranged.

On June 10, 2007 a further proposal was received from the US company representing Asian interests to acquire 51% of our stock by a combination of buying out existing shareholders through a tender offer and investing in new equity, both at a modest premium to the then current market price of our common stock.

On June 12, 2007, a meeting was held between the financial advisors of Sumitomo and our financial advisors to discuss valuation. Our advisors presented valuation analyses which indicated that, without taking the benefit of any synergies between the two companies, we believed that a price of $12 per share or more was justified.

On June 14, 2007, a written offer was received from another Asian company to acquire us. This written offer indicated a price range significantly superior to the range that had been indicated by Sumitomo. The offer was expressed to be non-binding on the offeror, and was subject to listed terms and conditions.

On June 17, 2007 an e-mail was received from Sumitomo indicating a preliminary list of conditions which would have to be fulfilled as a requirement to the closing of an acquisition. Later that day, Dr. Fyfe met with Mr. Nakae and Mr. Ogawa and informed them that a superior offer had been received from a third party.

On June 18, 2007, Dr. Fyfe met with Mr. Nakae, Mr. Yamamoto, Mr. Ogawa, Mr. Yoshino and Mr. Wakemi. Sumitomo indicated that they were prepared to offer $12 per share for us, such offer to be contingent on a grant of exclusivity and the satisfactory negotiation of definitive documentation. Sumitomo s indicated $12 per share offer exceeded the high end of the share price range set forth in the offer received in writing on June 14, 2007.

On June 18, 2007, our board met to consider the terms and conditions of Sumitomo s new offer. Our financial advisors and legal counsel attended that meeting. At that meeting, the board authorized us to enter into a limited duration exclusivity agreement with Sumitomo on the basis of the $12 per share offer.

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On June 20, 2007, Dr. Fyfe informed representatives of the Asian company that had submitted an offer that their offer was not sufficiently attractive for us to permit due diligence. On June 22, 2007, a representative of the Asian company informed Dr. Fyfe that his client was considering its position. There has been no further communication with this company on this matter.

On June 21, 2007, Dr. Fyfe received an email from the US company representing Asian interests indicating that it could make an offer to acquire us at a significant premium to the current market price. This premium indicated was substantially inferior to the price being offered by Sumitomo.

Our board met on June 22, 2007 with its financial advisors and legal counsel, and considered, among other matters, the status of discussions with Sumitomo, and their request for exclusive negotiations. Following discussion between external legal counsel for Sumitomo and ourselves, on June 22, 2007 a letter was received from Sumitomo confirming the $12 proposed price provided that exclusivity was granted until July 13, 2007.

On June 23, 2007, Mr. Black and Dr. Cha met Mr. Yamamoto and Mr. Wakemi to discuss how negotiations would proceed during the exclusivity period. A further similar meeting was held between Mr. Black, Mr. Yamamoto and Mr. Wakemi on June 24, 2007.

On June 24, 2007, Dr. Fyfe informed the US company has been representing Asian interests that its offer was not sufficiently attractive for us to permit due diligence. There was no further communication to this company on this matter.

On June 25, 2007, Dr. Fyfe, Mr. Black, Mr. Frank Bynum, one of our directors and a principal of Kelso, our major shareholder, and Mr. Frank Nickell, a senior principal of Kelso, met with Mr. Nakae, Mr. Yamamoto, Mr. Ogawa, Mr. Yoshino, and Mr. Wakemi. During the meeting, Kelso indicated its support for the proposed acquisition. Dr. Fyfe and Mr. Nakae executed a patent license between Sumitomo and CDT (pursuant to which an upfront fee was paid a few days later) and executed an exclusivity agreement which would expire on July 13, 2007 (or earlier, if Sumitomo were to reduce its indicative $12 per share price).

On July 2, 2007 a draft merger agreement was received from Sumitomo. We provided comments on such draft on July 5, 2007. From July 10 through July 13, Mr. Black, Mrs. Hilary Charles, our General Counsel, and Mrs. Emma Jones, our Vice-President of Human Resources and Facilities met with Mr. Yamamoto, Mr. Ogawa, Mr. Toshiyuki Yoshino, General Manager, Corporate Planning and Coordination Office of Sumitomo, Mr. Wakemi and Mr. MacKay, Legal Counsel of Sumitomo, to negotiate the detailed terms of the merger agreement. External legal counsel for both sides attended this series of meetings. The main items to negotiate were firstly, acceptable arrangements for a break-up fee or expense reimbursement to meet our desire that such terms should not preclude consideration of an alternative superior bid after the deal was announced nor prevent us from raising equity funding should the acquisition fail to close, and secondly, reasonable representations, warranties and conditions in the light of our size and the extent of due diligence which had been permitted.

On July 13, 2007, and in light of the progress which had been made in negotiating the merger agreement, our board met and agreed to extend due diligence and exclusivity to August 1, 2007.

On July 23, 2007 and July 24, 2007, Mr. Black and Mr. Wakemi, together with external counsel, met to finalise the merger agreement and support agreement. On July 26, 2007 our board held a lengthy meeting with external counsel and financial advisors and considered the merger agreement and support agreement and a draft financial presentation by Cowen and Company, LLC. On July 31, 2007 (Japan time), our board received Cowen s formal fairness opinion, then adopted resolutions authorizing senior Company officers to execute the merger agreement and support agreement, and take other actions necessary or appropriate in connection with implementation of the transaction. On July 31, 2007, the merger agreement was signed by CDT and Sumitomo.

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Reasons for the Merger

Our board has unanimously (i) determined that the merger is advisable and fair to, and in the best interest of, CDT and our stockholders, (ii) approved the merger agreement and the support agreement and the transactions contemplated thereby, and (iii) recommended that our stockholders vote in favor of the adoption and approval of the merger agreement and the approval of the merger.

In reaching its determination, our board consulted with our management, as well as its legal and financial advisors, and considered the following material facts:

Factors Relating to the Merger Generally:

CDT has been developing its P-OLED technology since the company s inception in 1992. It is taking many years for the technology to achieve widespread commercial adoption. If CDT remains an independent company, there is a risk that we will have to raise significant additional funds on the equity markets, risking substantial dilution of our current stockholders. In addition, equity market conditions have become turbulent in recent weeks, which may make it difficult (or impossible) for us to raise additional equity finance on acceptable terms.

In order to be able to control its cash usage, CDT has sold technology services and development services to numerous third parties. While we have always attempted to ensure that such contracts are aligned with our existing technical priorities and serve to drive P-OLED technology adoption by customers, the associated contractual commitments reduce our flexibility to direct our research efforts based on our judgment of appropriate technology priorities.

Though proud of the relationships we have forged with large display manufacturers, we have found it difficult for a relatively small company such as CDT to influence their plans.

A combination with a company such as Sumitomo will provide increased financial strength and greater resources to develop P-OLED technology. The existing close co-operation between CDT and Sumitomo through our Sumation joint venture means that integration of CDT into the Sumitomo organization should proceed smoothly.

Recent announcements by major display makers have been positive for OLED technology in general and P-OLED technology in particular. However, we believe it will take several years for the adoption of P-OLED technology to result in significant royalty revenues due to the time it take to build manufacturing plants and commence production. There are high risks associated with these timelines, and technical problems could further delay commercial production. In addition, other OLED providers may acquire a competitive advantage over us, due to greater resources, or competing technologies (including SM-OLED) may acquire a larger share (relative to P-OLED) of the OLED market than we currently anticipate, or new technologies may render OLED technology obsolete.

The board has weighed the relative certainty of a cash transaction at an attractive premium versus the time and risk involved in creating greater value by remaining independent and concluded that a cash transaction now at the price offered by Sumitomo provides the best available outcome for our stockholders.

Factors Relating to the Specific Terms of the Merger Agreement with Sumitomo:

The merger consideration of $12 per share to be received by our stockholders represents a substantial premium to historical trading prices of our common stock. The merger consideration represents a 95% premium over the closing price of our common stock on July 30, 2007, the last trading day prior to the announcement of the transaction; a 101% premium over our average stock price for the three month period ending July 30, 2007; and a 109% premium over our average stock price for the one year period ending July 30, 2007.

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The merger consideration consists solely of cash, which provides certainty of value to our stockholders.

Sumitomo has adequate capital resources to pay the merger consideration, and its obligation to complete the merger is not subject to a financing condition.

The merger agreement, subject to the requirements specified therein, allows our board to furnish information to and conduct negotiations with third parties in certain circumstances and, upon payment to Sumitomo of a termination fee of $11.25 million, to terminate the merger agreement to accept a superior company proposal.

The support agreement between Sumitomo and our affiliates, officers and directors expire in the event that we terminate the merger agreement, which permits those stockholders to support a transaction involving a superior company proposal.

The merger agreement provides reasonable certainty of consummation, because it includes limited conditions to Sumitomo s obligations to complete merger, including:

Sumitomo is generally obligated to close the merger notwithstanding any breaches of CDT s representations and warranties, unless those breaches would have a material adverse effect on CDT.

Although Sumitomo has the right not to complete the merger if changes, among other things, occur that have a material adverse effect on CDT and its subsidiaries, taken as a whole, the effects of conditions generally affecting the United States or United Kingdom economy or general industry conditions to the extent they do not disproportionately affect CDT, any failure in and of itself of CDT to meet analysts published revenues or earnings predictions, changes in GAAP or in applicable law, occurring after the date of the merger agreement, or changes arising or resulting from announcement of the merger agreement and the transactions contemplated thereby, are excluded in determining whether any company material adverse effect has occurred.

Our board considered the financial presentation by Cowen on July 26, 2007, updated and summarized on July 31, 2007 (Japan time) and its opinion that, as of July 31, 2007 (Japan time), and based on and subject to the matters set forth in its opinion, the consideration to be offered to CDT stockholders in the merger was fair, from a financial point of view, to such stockholders.

Our board considered the terms of the merger agreement, as reviewed with its legal advisors, including that the conditions to closing the merger are limited to CDT stockholder approval and other customary conditions, as well as the likely time period necessary to close the transaction.

Potential Negative Factors Relating to the Merger:

The CDT board also considered potential drawbacks or risks relating to the merger, including the following material risks and factors:

CDT will no longer exist as an independent company and its stockholders will no longer participate in its growth as an independent company and also will not participate in any synergies resulting from the merger.

The merger agreement precludes us from actively soliciting alternative acquisition proposals.

We are obligated to pay Sumitomo a termination fee or expense reimbursements of up to $11.25 million if we or Sumitomo terminate the merger agreement under certain circumstances. If Sumitomo were to terminate the merger agreement due to a breach by us, we would have to pay them expense reimbursement of $5 million, plus a further $6.3 million if a change of control transaction occurred within the following year. If the merger agreement were to be terminated due to a decision by our stockholders to vote against the transaction, or if the merger failed to close on or prior to March 31, 2008, then we would have to pay expense reimbursements to Sumitomo of up to $8 million. It is possible that these provisions could discourage a competing proposal to acquire us or that the termination fee could reduce the price in an alternative change of control transaction that was to be implemented in the year following termination.

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- While the merger is expected to be completed, there can be no assurance that all conditions to the parties obligations to complete the merger will be satisfied, and as a result, it is possible that the merger may not be completed even if approved by our stockholders. If the merger does not close, we may incur significant risks and costs, including the possibility of disruption to our operations, diversion of management and employee attention, employee attrition and the effect on business relationships and the potential effect on business and customer relationships.

- Certain of our directors and officers may have conflicts of interest in connection with the merger, as they may receive certain benefits that are different from, and in addition to, those of our other stockholders.

- The gain from an all-cash transaction would be taxable to our tax-paying shareholders subject to United States federal income tax and also the tax codes of other jurisdictions.

While our board of directors considered potentially negative and potentially positive factors, the board of directors concluded that, overall, the potentially positive factors outweighed the potentially negative factors.

The foregoing discussion is not intended to be exhaustive, but we believe it addresses the material information and factors considered by the CDT board of directors in its consideration of the merger. In view of the number and variety of factors and the amount of information considered, our board did not find it practicable to, and did not make specific assessments of, quantify or otherwise assign relative weights to, the specific factors considered in reaching its determination. In addition, our board did not undertake to make any specific determination as to whether any particular factor, or any aspect or any particular factor, was favorable or unfavorable to its ultimate determination, and individual members of our board of directors may have given different weights to different factors.

Recommendation of Our Board of Directors

At a meeting on July 31, 2007 (Japan time), our board of directors unanimously determined that the merger is fair to, and in the best interest of, CDT and its stockholders and that the merger is advisable and approved the merger agreement and recommended that CDT stockholders vote in favor of the adoption and approval of the merger agreement and the approval of the merger.

Fairness Opinion of Cowen and Company, LLC

On July 31, 2007 (Japan time), Cowen delivered its opinion to the CDT Board of Directors that, subject to the various assumptions set forth therein, as of July 31, 2007 (Japan time), the consideration to be received in the merger was fair, from a financial point of view, to the stockholders of CDT.

The full text of the written opinion of Cowen, dated July 31, 2007 (Japan time), is attached as Annex C and is incorporated herein by reference. Holders of CDT common stock are urged to read the opinion in its entirety for the assumptions made, procedures followed, other matters considered and limits of the review by Cowen. The summary of the written opinion of Cowen set forth herein is qualified in its entirety by reference to the full text of such opinion. Cowen s analyses and opinion were prepared for and addressed to the CDT Board of Directors and are directed only to the fairness, from a financial point of view, to the CDT stockholders, of the consideration to be received in the merger, and do not constitute an opinion as to the merits of the Merger or a recommendation to any stockholder as to how to vote on the proposed merger. The consideration to be received in the merger was determined through negotiations between CDT and Sumitomo and not pursuant to recommendations of Cowen.

In arriving at its opinion, Cowen reviewed and considered such financial and other matters as it deemed relevant, including, among other things:

- A draft of the Agreement dated July 27, 2007, which was the most recent draft made available to Cowen;

- Certain publicly available financial and other information for CDT, including equity research and Reuters estimates, and certain other relevant financial and operating data furnished to Cowen by CDT management;

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Certain internal financial analyses, financial forecasts, reports and other information concerning, CDT prepared by its management;

Discussions Cowen has had with certain members of CDT s management concerning the historical and current business operations, financial conditions and prospects of CDT and such other matters Cowen deemed relevant;

Operating results of CDT as compared to the operating results of certain publicly traded companies Cowen deemed relevant;

The reported price and trading histories of the shares of CDT common stock as compared to the reported price and trading histories of certain publicly traded companies Cowen deemed relevant;

Certain financial terms of the merger as compared to the financial terms of certain selected business combinations Cowen deemed relevant;

Based on CDT s forecasts, the cash flows generated by CDT on a stand-alone basis to determine the present value of the discounted cash flows; and

Such other information, financial studies, analyses and investigations and such other factors that Cowen deemed relevant for the purposes of its opinion.

In conducting its review and arriving at its opinion, Cowen, with CDT s consent, assumed and relied, without independent investigation, upon the accuracy and completeness of all financial and other information provided to it by CDT and Sumitomo or which was publicly available. Cowen did not undertake any responsibility for the accuracy, completeness or reasonableness of, or independently to verify, this information. In addition, Cowen did not conduct any physical inspection of the properties or facilities of CDT. Cowen further relied upon the assurance of management of CDT that they were unaware of any facts that would make the information provided to Cowen incomplete or misleading in any respect. Cowen, with CDT s consent, assumed that the financial forecasts provided to Cowen were reasonably prepared by the management of CDT, and reflected the best available estimates and good faith judgments of such management as to the future performance of CDT. Management of CDT confirmed to Cowen, and Cowen assumed with CDT s consent, that each of the financial forecasts, and the Reuters estimates and analyst projections utilized in Cowen s analyses with respect to CDT, provided a reasonable basis for its opinion.

Cowen did not make or obtain any independent evaluations, valuations or appraisals of the assets or liabilities of CDT, nor was Cowen furnished with these materials. With respect to all legal matters relating to CDT, Cowen relied on the advice of legal counsel to CDT. Cowen s services to CDT in connection with the merger were comprised of rendering an opinion from a financial point of view as to the fairness of the consideration to be received in the merger. Cowen s opinion was necessarily based upon economic and market conditions and other circumstances as they existed and could be evaluated by Cowen on the date of its opinion. It should be understood that although subsequent developments may affect its opinion, Cowen does not have any obligation to update, revise or reaffirm its opinion and Cowen expressly disclaims any responsibility to do so. Additionally, Cowen was not authorized or requested to, and did not, solicit alternative offers for CDT or its assets, nor did Cowen investigate any other alternative transactions that may be available to CDT.

In rendering its opinion, Cowen assumed, in all respects material to its analysis, that the representations and warranties of each party contained in the merger agreement are true and correct, that each party will perform all of the covenants and agreements required to be performed by it under the merger agreement and that all conditions to the consummation of the merger will be satisfied without waiver thereof. Cowen assumed that the final form of the merger agreement would be substantially similar to the last draft received by Cowen prior to rendering its opinion. Cowen also assumed that any and all governmental, regulatory and other consents and approvals contemplated by the Merger agreement would be obtained.

Cowen s opinion does not constitute a recommendation to any stockholder as to how such person should vote on the merger agreement and proposed merger. Cowen s opinion is limited to the fairness, from a financial

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point of view, of the consideration to be received by CDT stockholders pursuant to the merger. Cowen expresses no opinion as to the underlying business reasons that may support the decision of the CDT board to approve, or CDT s decision to consummate, the merger.

The following is a summary of the principal financial analyses performed by Cowen to arrive at its fairness opinion. Some of the summaries of financial analyses include information presented in tabular format. In order to fully understand the financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data set forth in the tables without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses. Cowen performed certain procedures, including each of the financial analyses described below, and reviewed with the management of CDT the assumptions on which such analyses were based and other factors, including the historical and projected financial results of CDT. No limitations were imposed by the CDT board with respect to the investigations made or procedures followed by Cowen in rendering its opinion.

Analysis of Premiums Paid in Selected Transactions. Cowen reviewed the premium of the offer price over the one trading day spot price, the one-week spot price and the 30 trading day spot price prior to the announcement date of selected public acquisition transactions for (i) public technology-sector transactions from $200 million to $500 million since January 1, 2004 and (ii) public, 100% cash consideration technology-sector transactions from $200 million to $500 million since 2004 (the Technology Transactions)

The following table presents the premium of the offer prices over the one trading day spot price, the one-week spot price and the 30 trading day spot price prior to the announcement date for the Technology Transactions, and the premiums implied for CDT. The information in the table is based on the closing price of CDT common stock on July 27, 2007.

			Implied Price	
	1st Quartile	3rd Quartile	1st Quartile	3rd Quartile
Premiums Paid to Stock Price:				
Spot price one day prior to announcement	17.9%	40.5%	$ 7.19	$ 8.57
Spot price one week prior to announcement	19.5%	41.6%	$ 7.59	$ 8.99
Spot price 30 trading days prior to announcement	22.4%	47.1%	$ 6.94	$ 8.34

Discounted Future Public Value Analysis. Cowen estimated a range of values for CDT based upon the discounted present value of the implied Equity Value of CDT for calendar years 2010 and 2011 by applying 2007 and 2008 trading multiples of selected relevant IP licensing companies (the Selected IP Licensing Companies). The Selected IP Licensing Companies were:

DivX, Inc.

Dolby Laboratories

DTS, Inc.

ARM Holdings PLC

MIPS Technologies, Inc.

Mosaid Technologies, Inc.

MoSys, Inc.

Rambus

Teserra Technologies

This analysis was based upon two financial forecasts provided by CDT management (Projection Case 1 and Projection Case 2) for 2010 and 2011, including management projections of EBITDA and Net Income on a

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fully taxed basis. In performing this analysis, Cowen utilized discount rates of 20.0% to 25.0%. Cowen also utilized, based on the 2007 and 2008 trading multiples of the Selected IP Licensing Companies, multiple ranges of 14 times to 16 times for 2010 EBITDA, 10 times to 12 times for 2011 EBITDA, 20.0 times to 25.0 times for 2010 tax effected Net Income and 15.0 times to 20.0 times for 2011 tax effected Net Income. The following are the results of the Discounted Future Public Value Analysis:

	Equity Value Per Share Reference Range	
Projection Case 1		
EBITDA	$ 12.20	$ 17.35
Net Income	$ 9.87	$ 18.70
Projection Case 2		
EBITDA	$ 7.59	$ 11.46
Net Income	$ 5.73	$ 12.80

Discounted Cash Flow Analysis. Cowen estimated a range of values for CDT common stock based upon the discounted present value of the projected after-tax cash flows of CDT described in the financial forecasts provided by the CDT management for the fiscal years 2007 through 2011, and of the terminal values of CDT based upon multiples of EBITDA. This analysis was based upon certain assumptions described by, projections supplied by and discussions held with the management of CDT. In performing this analysis, Cowen utilized discount rates for CDT ranging from 20.0% to 25.0%. The discount rates were selected based on a weighted average cost of capital calculation for CDT. Cowen utilized terminal multiples of revenue for CDT ranging from 14.0 times to 16.0 times based on the Selected IP Licensing Companies.

Utilizing this methodology, the per share equity value of CDT ranged from $10.50 to $13.08 per share, based on the Projection Case 1 financial forecasts; and $5.99 to $7.48 per share, based on the Projection Case 2 financial forecast.

Analysis of Selected Publicly Traded Companies. To provide contextual data and comparative market information, Cowen compared selected projected operating and financial data and ratios for CDT to the corresponding projected financial data and ratios of relevant display sector and IP licensing companies (the Selected Companies), whose securities are publicly traded and which Cowen believes have operating, market valuation and trading valuations similar to what might be expected of CDT. The Selected Companies were:

Universal Display Corporation

Microvision

DivX, Inc.

Dolby Laboratories

DTS, Inc.

Genesis Microchip

Leadis Technology

Pixelworks

Supertex

Trident Microsystems

ARM Holdings PLC

MIPS Technologies, Inc.

Mosaid Technologies, Inc.

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MoSys, Inc.

Rambus

Tessera Technologies

Cowen utilized the following multiples based on the Selected Companies.

	Multiple Reference Range	
Enterprise Value as a ratio of:		
Projection Case 1		
2007 Revenue	7.5x	15.0x
2008 Revenue	5.0x	10.0x
2008 EBITDA	10.0x	15.0x
Projection Case 2		
2007 Revenue	7.5x	15.0x
2008 Revenue	5.0x	10.0x
2008 EBITDA	10.0x	15.0x

The data and ratios included the Enterprise Value of the Selected Companies as multiples of projected revenues for the calendar year 2007 and Enterprise Value of the Selected Companies as multiples of projected revenue and EBITDA for calendar year 2008.

The following table presents, for the periods indicated, the multiples implied by the ratio of Enterprise Value to calendar year 2007 revenues and the ratio of Enterprise Value to calendar year 2008 revenues and 2008 EBITDA.

	Equity Value Per Share Reference Range	
Projection Case 1		
2007 Revenue	$ 9.12	$ 17.24
2008 Revenue	$ 8.68	$ 16.37
2008 EBITDA	$ 4.93	$ 6.93
Projection Case 2		
2007 Revenue	$ 7.54	$ 14.10
2008 Revenue	$ 7.54	$ 14.10
2008 EBITDA	$ 3.19	$ 4.34

Although the Selected Companies were used for comparison purposes, none of those companies is directly comparable to CDT. Accordingly, an analysis of the results of such a comparison is not purely mathematical, but instead involves complex considerations and judgments concerning differences in historical and projected financial and operating characteristics of the Selected Companies and other factors that could affect the public trading value of the Selected Companies or CDT to which they are being compared.

Analysis of Selected Transactions. Cowen reviewed the financial terms, to the extent publicly available, of selected transactions (the Precedent Transactions) involving the acquisition of public companies in the Display and Display related industry, which were announced since January 1, 2004. These transactions were (listed as acquiror/target):

Koninklijke Philips Electronic / Color Kinetics Inc.

Royal Philips / TIR Systems

Cree Inc / COTCO Luminant Device Ltd.

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Epistar Corp / Epitech Technology Corp

SunPower / PowerLight

Flextronics International Ltd / International DisplayWorks Inc.

General Electric Company / GELCore

Epistar Corp / United Epitaxy Co Ltd

Merck KGaA / Avecia

QUALCOMM Inc / Iridigm Display Corp

Cowen reviewed the market capitalization of common stock plus total debt less cash and equivalents (Enterprise Value) paid in the Precedent Transactions as a multiple of the estimated last twelve months (LTM) and estimated next twelve month (NTM) revenue.

The following table presents, for the periods indicated, the multiples implied by the ratio of Enterprise Value to LTM and NTM revenue.

	Multiple Reference Range		Equity Value Per Share Reference Range	
Enterprise Value as a ratio of:				
LTM Revenue	5.0x	10.0x	$ 3.01	$ 5.12
NTM Revenue	2.5x	7.5x	$ 2.81	$ 6.60

Although the Industry Transactions were used for comparison purposes, none of those transactions is directly comparable to the Merger, and none of the companies in those transactions is directly comparable to CDT. Accordingly, an analysis of the results of such a comparison is not purely mathematical, but instead involves complex considerations and judgments concerning differences in historical and projected financial and operating characteristics of the companies involved and other factors that could affect the acquisition value of such companies or CDT to which they are being compared.

Stock Trading History. Cowen analyzed the closing prices of CDT common stock over various periods ending July 27, 2007. The table below illustrates the stock prices for those periods and the premium or discount implied by the consideration to be received in the merger to the historical stock price.

Historical Time Period	Stock Price	Premium (Discount) Implied by Merger Consideration
1 Day Spot	$ 6.21	93.2%
20 Day Spot	$ 6.14	95.4%
30 Day Spot	$ 5.67	111.7%
60 Day Spot	$ 5.13	133.9%
90 Day Spot	$ 5.89	103.7%
180 Day Spot	$ 7.31	64.2%
52-Week High	$ 7.64	57.1%
52-Week Low	$ 4.42	171.5%

30 Day Average	$	6.37	88.3%
60 Day Average	$	6.00	100.1%
90 Day Average	$	5.80	106.9%
180 Day Average	$	5.74	109.2%
52-Weeks	$	6.43	86.6%

The summary set forth above does not purport to be a complete description of all the analyses performed by Cowen. The preparation of a fairness opinion involves various determinations as to the most appropriate and

relevant methods of financial analyses and the application of these methods to the particular circumstances and,

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therefore, such an opinion is not readily susceptible to partial analysis or summary description. Cowen did not attribute any particular weight to any analysis or factor considered by it, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. Accordingly, notwithstanding the separate factors summarized above, Cowen believes, and has advised the CDT board, that its analyses must be considered as a whole and that selecting portions of its analyses and the factors considered by it, without considering all analyses and factors, could create an incomplete view of the process underlying its opinion. In performing its analyses, Cowen made numerous assumptions with respect to industry performance, business and economic conditions and other matters, many of which are beyond the control of CDT. These analyses performed by Cowen are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by such analyses. In addition, analyses relating to the value of businesses do not purport to be appraisals or to reflect the prices at which businesses or securities may actually be sold. Accordingly, such analyses and estimates are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors. The analyses supplied by Cowen and its opinion were among several factors taken into consideration by the CDT board in making its decision to enter into the merger agreement and should not be considered as determinative of such decision.

Cowen was selected by the CDT board to render an opinion to the CDT board because Cowen is a nationally recognized investment banking firm and because, as part of its investment banking business, Cowen is continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. Cowen is providing financial services for CDT for which it will receive customary fees. In addition, in the ordinary course of its business, Cowen and its affiliates trade the equity securities of CDT for their own account and for the accounts of their customers, and, accordingly, may at any time hold a long or short position in such securities. Cowen and its affiliates in the ordinary course of business have from time to time provided to CDT, and in the future may provide to Sumitomo, commercial and investment banking services, and have received and may in the future receive fees for the rendering of such services. In particular, in 2004, Cowen acted as lead manager of CDT s initial public offering and in 2005, acted in connection with a CDT private placement, and Cowen were acknowledged by the board to have a deep knowledge of CDT.

Pursuant to the Cowen engagement letter, if the merger is consummated, Cowen will be entitled to receive a transaction fee equal to $3,711,334. CDT has also agreed to pay a fee of $300,000 to Cowen for rendering its opinion, which fee shall be credited against any transaction fee paid. Additionally, CDT has agreed to reimburse Cowen for its out-of-pocket expenses, including attorneys fees, and has agreed to indemnify Cowen against certain liabilities, including liabilities under the federal securities laws. The terms of the fee arrangement with Cowen, which are customary in transactions of this nature, were negotiated at arm s length between CDT and Cowen, and the CDT board was aware of the arrangement, including the fact that a significant portion of the fee payable to Cowen is contingent upon the completion of the merger.

Material United States Federal Income Tax Consequences

The following is a summary of the material United States federal income tax consequences of the merger to United States Holders (as defined below) of our common stock whose shares are converted into the right to receive cash under the merger. This summary is based on the Internal Revenue Code of 1986, as amended (the Code), applicable Treasury Regulations, and administrative and judicial interpretations thereof, each as in effect as of the date hereof, all of which may change, possibly with retroactive effect. This summary assumes that shares of our common stock are held as capital assets. It does not address all of the tax consequences that may be relevant to particular holders in light of their personal circumstances, or to other types of holders, including, without limitation:

- banks, insurance companies or other financial institutions;
- broker-dealers;
- traders;
- expatriates and certain former citizens or long-term residents of the United States;

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tax-exempt organizations;

Non-United States Holders (as defined below);

persons who are subject to alternative minimum tax;

persons who hold their shares of common stock as a position in a straddle or as part of a hedging , conversion or other risk reduction transaction;

persons deemed to sell their shares of common stock under the constructive sale provisions of the Code;

persons that are S-corporations, partnerships or other pass-through entities;

persons that have a functional currency other than the United States dollar; or

persons who acquired their shares of our common stock upon the exercise of stock options or otherwise as compensation.

In addition, this discussion does not address any state, local or foreign tax consequences of the merger, and this summary does not address the tax consequences to holders of our common stock who exercise appraisal rights under Delaware law.

We urge each holder of our common stock to consult his or her own tax advisor regarding the United States federal income or other tax consequences of the merger to such holder.

For purposes of this discussion, a United States Holder means a holder that is:

an individual citizen or resident of the United States;

a corporation or other entity treated as a corporation for United States federal income tax purposes created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

an estate the income of which is subject to United States federal income taxation regardless of its source; or

a trust (a) the administration over which a United States court can exercise primary supervision and all of the substantial decisions of which one or more United States persons have the authority to control and (b) certain other trusts considered United States Holders for federal income tax purposes.

A Non-United States Holder is a holder other than a United States Holder.

Consequences of the Merger

The receipt of cash in exchange for shares of our common stock pursuant to the merger will be a taxable transaction for United States federal income tax purposes. In general, a United States Holder who receives cash in exchange for shares of our common stock pursuant to the merger

will recognize capital gain or loss for United States federal income tax purposes equal to the difference, if any, between the amount of cash received and the holder s adjusted tax basis in the shares of our common stock exchanged for cash pursuant to the merger. Any such gain or loss would be long-term capital gain or loss if the holding period for the shares of our common stock exceeded one year. Long-term capital gain of noncorporate taxpayers are generally taxable at a maximum rate of 15%. Capital gain of corporate stockholders are generally taxable at the regular tax rates applicable to corporations. The deductibility of capital losses is subject to limitations.

Backup Withholding

Backup withholding may apply to payments made in connection with the merger. Backup withholding will not apply, however, to a holder who (1) furnishes a correct taxpayer identification number and certifies that it is

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not subject to backup withholding on the substitute Form W-9 or successor form included in the letter of transmittal to be delivered to holders of our common stock after completion of the merger or (2) is otherwise exempt from backup withholding. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against such holder s United States federal income tax liability provided the required information is furnished to the IRS.

THE FOREGOING DOES NOT PURPORT TO BE A COMPLETE ANALYSIS OF THE POTENTIAL TAX CONSIDERATIONS RELATING TO THE MERGER, AND IS NOT TAX ADVICE. THEREFORE, HOLDERS OF OUR COMMON STOCK ARE URGED TO CONSULT THEIR TAX ADVISORS AS TO THE SPECIFIC TAX CONSEQUENCES TO THEM OF THE MERGER, INCLUDING THE APPLICABILITY OF FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX LAWS.

Regulatory Matters

While we do not believe that the transaction requires any United States or foreign anti-trust, competition law or other regulatory approvals, Sumitomo and CDT have agreed to cooperate to obtain such approvals should they reasonably agree that such approvals are indeed required.

While we believe that no regulatory approvals will be required, there can be no assurance that Sumitomo and CDT will not in due course discover that it is necessary to obtain such approvals necessary or that the granting of these regulatory approvals will not involve the imposition of conditions on the completion of the merger or require changes to the terms of the merger. These conditions or changes could require the grant of a complete or partial license, a divestiture or spin-off, or the holding separate of assets or businesses and, if such required actions are not immaterial, could result in the conditions to Sumitomo s obligation to complete the merger not being satisfied.

In addition, at any time before or after the completion of the merger, the Antitrust Division, the Federal Trade Commission or others could take action under the antitrust laws, including seeking to prevent the merger, to rescind the merger or to conditionally approve the merger upon the divestiture by us or Sumitomo of substantial assets. In addition, in some jurisdictions, a competitor, customer or other third party could initiate a private action under the antitrust laws challenging or seeking to enjoin the merger, before or after it is completed.

Interest of Certain Persons in the Merger

In considering the recommendation of our board of directors with respect to the merger agreement, CDT s stockholders should be aware that some of our executive officers and directors have interests in the merger and have arrangements that are different from, or in addition to, those of CDT s stockholders generally. These interests and arrangements may create potential conflicts of interest. Our board of directors was aware of these potential conflicts of interest and considered them, among other matters, in reaching its decisions to approve the merger agreement and to recommend that CDT s stockholders vote in favor of approving the merger agreement.

Stock Options and Other Equity-Based Awards

The merger agreement provides that, upon completion of the merger, options to purchase CDT common stock that are vested and exercisable and have an exercise price lower than $12 per share, including those held by CDT s executive officers and directors, will be terminated and exchanged for cash upon the completion of the merger in an amount determined by multiplying the excess of $12 over the applicable per share exercise price of each such option by the number of shares subject to each such option, reduced by any applicable tax withholding obligations. In addition, certain officers and directors have restricted stock units which will vest on this change of control resulting in the shares so issued being paid out at $12. Based on the restricted stock unit and option holdings of CDT s executive officers and directors that will be vested and exercisable as of the closing of the merger (and assuming that none of the directors or executive officers exercise or forfeit any of these options prior

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to the completion of the merger), upon completion of the merger, David Fyfe, Chief Executive Officer, Michael Black, Chief Financial Officer, Scott Brown, Vice-President of Research, Jim Veninger, Vice-President of Technology Development and Jeremy Burroughes, Chief Technical Officer, and the directors of CDT, as a group (excluding any of the directors named individually in this paragraph), would receive cash payments, upon completion of the merger, in amounts equal to approximately $5.2 million, $1.2 million, $2.8 million, $1.0 million, $2.8 million and $0.2 million respectively, with respect to their vested restricted stock units and exercisable stock options described in this paragraph. (The foregoing amounts do not include merger consideration payable in respect of outstanding shares of common stock owned by these individuals.) SB Cha, our former Vice-President of Commercial, who resigned on June 30, 2007, has entered into a consultancy agreement with us pursuant to which 80,000 restricted stock units which would otherwise have been forfeit upon his resignation, will continue to vest. The Company entered into this agreement with Dr. Cha because he had paid an important role in the negotiation of this transaction and the Company wished to retain his services until the transaction closes and to reward him for his contribution to it.

Employment Agreements

Pursuant to the employment agreement of David Fyfe, our Chief Executive Officer, he is entitled to a special pension of $0.5 million payable in equal monthly installments over a five year period commencing January 2009. On change of control, this agreement requires that the full value of this pension be paid to him immediately:

Special Pension Provision. On the earlier of December 31, 2008 or the date of termination of Executive s employment with the Company due to his death, due to disability, by written notice delivered to Executive by the Company of his termination without Cause, by Executive for Good Reason, the Company shall pay to Executive a pension sum of $100,000 per annum for each of five (5) years, such pension to be paid in monthly installments. However, if the pension shall become payable because of the Executive s death prior to Separation from Service, such pension shall be paid promptly in one lump sum to his surviving spouse, if any, or his estate if there is no surviving spouse. If the pension shall become payable for any other reason it shall be paid in monthly installments commencing as of the first day of the month following the Executive s Separation from Service. In the event of the Executive s death following Separation from Service, the six month delay, if any, in benefit commencement shall be waived and the balance of any pension payments shall be paid promptly in one lump sum to his surviving spouse, if any, or his estate if there is no surviving spouse. Promptly following a Change in Control, the Company shall promptly pay to the Executive, in a single lump sum, the amount that remains due to him pursuant to this section as of such date. For the avoidance of doubt, the Executive shall not be entitled to any pension payments under this if his employment is terminated by the Company for Cause or by Executive without Good Reason on or prior to December 31, 2008.

If, following a change of control, Dr. Fyfe s management status were to change in a manner that meaningfully and detrimentally changes his responsibilities, span of control or authority to operate, he has the right to terminate his employment contract for good reason .

Our other executive officers have employment agreements with our UK subsidiary, Cambridge Display Technology Limited. These agreements will all remain in full force and effect following a change of control.

All unvested stock options and unvested restricted stock units held by all of our executive officers, including our Chief Executive Officer, will vest upon change of control.

Indemnification and Insurance

In addition, the CDT directors and officers are entitled to continued indemnification and insurance coverage under the merger agreement. See The Merger Agreement Indemnification and Insurance.

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Support Agreement

Kelso Investment Associates VI, KEP VI LP, Magnetite Asset Investors LLC, Cardinal Court Investors, David Fyfe, SB Cha and Ian Chao have all entered into a support agreement with Sumitomo and CDT that, among other things, obligates them, severally and not jointly, to:

- vote all their shares for the merger and the approval and adoption of the merger agreement and for any other actions that are necessary, as determined by Sumitomo and CDT, in furtherance of the merger agreement and the merger;
- vote all their shares against any proposal made in opposition to, or in competition with, the merger or merger agreement, or any action or agreement that would result in CDT s breach of any representation, warranty, covenant or other obligation under the merger agreement;
- vote all their shares against any merger agreement or merger (other than this merger agreement and merger), or any acquisition proposal, consolidation, business combination, reorganization, recapitalization, dissolution, liquidation or winding up of CDT or its subsidiaries;
- vote all their shares against any material change in the capitalization or corporate structure, or any sale, lease, license or transfer of any significant part of the assets, of CDT or its subsidiaries, unless CDT is permitted to enter into such transaction under the merger agreement; and
- vote all their shares against any amendment to CDT s or its subsidiaries charter documents or any action intended or reasonably expected to impede, frustrate, prevent, interfere with, delay, postpone or adversely affect the merger agreement or the merger.

Under the support agreement, each such stockholder has given his proxy to Sumitomo to vote with respect to the above mentioned matters. Each such stockholder is also restricted from transferring his CDT shares or granting a proxy or entering into a voting agreement with respect to his shares in connection with an acquisition proposal. The support agreement expires on the earlier of the effective date of the merger or the date the merger agreement is terminated in accordance with its terms.

Appraisal Rights

Pursuant to Section 262 of the Delaware General Corporation Law (the DGCL), any holder of CDT common stock who does not wish to accept the Sumitomo merger consideration may dissent from the merger and elect to have the fair value of his or her shares of CDT common stock (exclusive of any element of value arising from the accomplishment or expectation of the merger) judicially determined by the Delaware Court of Chancery and paid to the stockholder in cash, together with a fair rate of interest, if any, provided that the stockholder complies with the provisions of Section 262 of the DGCL. The following discussion is not a complete statement of the law pertaining to appraisal rights under the DGCL, and is qualified in its entirety by the full text of Section 262 of the DGCL, which is attached to this proxy statement as Annex D. All references in Section 262 of the DGCL and in this summary to a stockholder are to the record holder of the shares of CDT common stock as to which appraisal rights are asserted. A person having a beneficial interest in shares of CDT common stock held of record in the name of another person, such as a broker or nominee, must act promptly to cause the record holder to follow properly and in a timely manner the steps summarized below to perfect appraisal rights. Because of the complexity of the appraisal procedures, CDT believes that stockholders who consider exercising these rights should seek the advice of counsel.

Under Section 262 of the DGCL, where a merger is to be submitted for approval at a special meeting of stockholders, as in the case of the adoption of the merger agreement by CDT s stockholders, the corporation must notify each of its stockholders entitled to appraisal rights that appraisal rights are available and include in the notice a copy of Section 262 of the DGCL not less than 20 days before the special meeting. This proxy statement shall constitute the notice, and the applicable statutory provisions are attached to this proxy statement as Annex D. Any holder of CDT common stock who wishes to exercise appraisal rights or who wishes to preserve such holder s right to do so, should carefully review the following discussion and Annex D because failure to timely and properly comply with the procedures specified will result in the loss of appraisal rights under Delaware law.

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Stockholders wishing to exercise the right to dissent from the merger and seek an appraisal of their shares must do ALL of the following:

- The stockholder must not vote in favor of the adoption of the merger agreement. Because a proxy that does not contain voting instructions will, unless revoked, be voted in favor of adoption of the merger agreement, a stockholder who votes by proxy and who wishes to exercise appraisal rights must vote against adoption of the merger agreement.

- The stockholder must deliver to CDT a written demand for appraisal before the vote on the adoption of the merger agreement is taken at the special meeting.

- The stockholder must continuously hold the shares from the date of making the demand through the effective time of the merger since appraisal rights will be lost if the shares are transferred before the effective time of the merger.

- The stockholder must file a petition in the Delaware Court of Chancery demanding a determination of the fair value of the shares within 120 days after the effective time of the merger.

If the stockholder fails to comply with these conditions and the merger is completed, the stockholder will be entitled to receive the cash payment per shares of CDT common stock owned as provided for in the merger agreement, but the stockholder will have no appraisal rights.

Neither voting (in person or by proxy) against, abstaining from voting on or failing to vote on the proposal to adopt the merger agreement will constitute a written demand for appraisal within the meaning of Section 262 of the DGCL. The written demand for appraisal must be in addition to and separate from any proxy or vote.

Only a holder of record of shares of CDT common stock issued and outstanding immediately prior to the effective time of the merger may assert appraisal rights for the shares of CDT common stock registered in that holder s name. A demand for appraisal should be executed by or on behalf of the stockholder of record, fully and correctly, as the stockholder s name appears on the stock certificates, should specify the stockholder s name and mailing address, the number of shares of CDT common stock owned and that the stockholder intends to demand appraisal of his or her CDT common stock. Stockholders who hold their shares in brokerage accounts or other nominee forms and who wish to exercise appraisal rights are urged to consult with their brokers to determine the appropriate procedures for the making of a demand for appraisal by that nominee.

A stockholder who elects to exercise appraisal rights pursuant to Section 262 of the DGCL should, before the vote on the merger agreement is taken at the special meeting, mail or deliver a written demand to: Hilary Charles, General Counsel, Cambridge Display Technology, Inc. c/o. Cambridge Display Technology Limited, 2020 Cambourne Business Park, Cambridge, CB23 6DW, United Kingdom.

If the merger agreement is adopted, CDT will give written notice of the effective time of the merger within 10 days after the effective time of the merger to each former stockholder of CDT who did not vote in favor of the merger agreement and who made a written demand for appraisal in accordance with Section 262 of the DGCL. Within 120 days after the effective time of the merger, but not later, either the surviving corporation or any dissenting stockholder who has complied with the requirements of Section 262 of the DGCL may file a petition in the Delaware Court of Chancery demanding a determination of the fair value of the shares of CDT common stock held by all dissenting stockholders entitled to appraisal. Stockholders who desire to have their shares appraised should initiate any petitions necessary for the perfection of their appraisal rights within the time periods and in the manner prescribed in Section 262 of the DGCL. Failure to do so could nullify the stockholder s previously written demand for appraisal.

Under the merger agreement, CDT has agreed to give Sumitomo prompt notice of any demands for appraisal received by it and withdrawals of those demands. Sumitomo will have the opportunity to participate in all negotiations and proceedings with respect to demands for appraisal under the DGCL. CDT will not, except with the prior written consent of Sumitomo settle, offer to settle or make any payment with respect to any demands for appraisal.

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Within 120 days after the effective time of the merger, any stockholder who has complied with the provisions of Section 262 of the DGCL to that point in time will be entitled to receive from the surviving corporation, upon written request, a statement setting forth the aggregate number of shares not voted in favor of the merger agreement and with respect to which demands for appraisal have been received and the aggregate number of holders of those shares. The surviving corporation must mail this statement to the stockholder within 10 days of receipt of the request or within 10 days after expiration of the period for delivery of demands for appraisals under Section 262 of the DGCL, whichever is later.

If a petition for appraisal is timely filed, the Delaware Court of Chancery will determine which stockholders are entitled to appraisal rights and may require the stockholders demanding appraisal who hold certificated shares to submit their stock certificates to the court for notation thereon of the pendency of the appraisal proceedings, and if any stockholder fails to comply with that direction, the court may dismiss the proceedings as to that stockholder.

After determination of the stockholders entitled to appraisal, the Delaware Court of Chancery will determine the fair value of the shares of CDT common stock held by dissenting stockholders, exclusive of any element of value arising from the accomplishment or expectation of the merger, but together with a fair rate of interest, if any, to be paid upon the amount determined to be the fair value. In determining the fair value, the Delaware Court of Chancery will take into account all relevant factors. The Delaware Supreme Court has stated that proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court should be considered in the appraisal proceedings. In addition, Delaware courts have decided that the statutory appraisal remedy, in cases of unfair dealing, may or may not be a dissenter s exclusive remedy. The Delaware Court of Chancery may determine the fair value to be more than, less than or equal to the consideration that the dissenting stockholder would otherwise be entitled to receive under the merger agreement. If a petition for appraisal is not timely filed, then the right to an appraisal will cease. The costs of the appraisal proceeding will be determined by the Delaware Court of Chancery and taxed against the parties as the Delaware Court of Chancery determines to be equitable under the circumstances. Upon application of a stockholder, the Delaware Court of Chancery may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorneys fees and the fees and expenses of experts, to be charged pro rata against the value of all shares entitled to appraisal.

STOCKHOLDERS SHOULD BE AWARE THAT THE FAIR VALUE OF THEIR SHARES AS DETERMINED UNDER SECTION 262 OF THE DGCL COULD BE GREATER THAN, THE SAME AS, OR LESS THAN THE VALUE MERGER CONSIDERATION. THE OPINION OF COWEN IS AN OPINION AS TO FAIR VALUE UNDER SECTION 262 OF THE DGCL.

Any stockholder who has duly demanded an appraisal in compliance with Section 262 of the DGCL will not, after the effective time of the merger, be entitled to vote the shares subject to the demand for any purpose or be entitled to the payment of dividends or other distributions on those shares (except dividends or other distributions payable to holders of record of shares as of a record date prior to the effective time of the merger).

Any stockholder may withdraw a demand for appraisal and accept the merger consideration by delivering to the surviving corporation a written withdrawal of the demand for appraisal, except that (1) any attempt to withdraw made more than 60 days after the effective time of the merger will require written approval of the surviving corporation and (2) no appraisal proceeding in the Delaware Court of Chancery will be dismissed as to any stockholder without the approval of the Delaware Court of Chancery, and the approval may be conditioned upon terms the Delaware Court of Chancery deems just. If the stockholder fails to perfect, successfully withdraws or loses the appraisal right, the stockholder s shares will be converted into the right to receive the merger consideration.

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THE MERGER AGREEMENT

The following summary of the terms of the merger agreement is qualified in its entirety by reference to the merger agreement, a copy of which is attached to this proxy statement as Annex A and which we incorporate by reference into this proxy statement. This summary does not purport to be complete and may not contain all of the information about the merger agreement that is important to you. We encourage you to read carefully the merger agreement in its entirety.

Structure and Effective Time

The merger agreement provides for the merger of Merger Sub with and into CDT. At that time, the separate corporate existence of Merger Sub shall cease and CDT shall continue as the surviving corporation and as a wholly-owned subsidiary of Sumitomo.

The merger will become effective at the time a certificate of merger is filed with the Delaware Secretary of State (or at a later time if agreed in writing by the parties and specified in the certificate of merger). The parties will file the certificate of merger no later than the business day following the satisfaction or waiver of all conditions in the merger agreement or on another mutually agreed date. We expect to complete the merger in late summer or early fall 2007. However we cannot assure you when, or if, all the conditions to completion of the merger will be satisfied or waived. See Conditions to Completion of the Merger.

Merger Consideration

The merger agreement provides that each share of CDT common stock outstanding immediately prior to the effective time of the merger will be converted upon completion of the merger into the right to receive $12 in cash, without interest. All treasury shares, and any shares owned by Sumitomo, will be cancelled at the effective time of the merger and no payment will be made for those shares. If appraisal rights for any CDT shares are perfected by any CDT stockholders, then those shares will be treated as described under Appraisal Rights.

After the merger becomes effective, each holder of a certificate representing shares of common stock will no longer have any rights as a stockholder of CDT with respect to the shares, except for the right to receive the merger consideration.

Payment Procedures

The surviving corporation will appoint an paying agent reasonably satisfactory to CDT that will make payment of the merger consideration in exchange for certificates representing shares of CDT common stock. Sumitomo will deposit sufficient cash with the paying agent at the effective time of the merger in order to permit the payment of the merger consideration. As soon as reasonably practicable after the effective time of the merger, the paying agent will send CDT stockholders a letter of transmittal and instructions explaining how to send their stock certificates to the paying agent. After the paying agent has received and processed the CDT stock certificates and properly completed transmittal documents, the paying agent will pay the appropriate merger consideration, minus any amounts deducted or withheld as required by law.

Stockholders should not send CDT stock certificates to us now, but rather in compliance with the instructions that will be provided in the letter of transmittal. In all cases, the merger consideration will be paid only in accordance with the procedures set forth in the merger agreement and the letter of transmittal.

Holders of CDT common stock whose certificates are lost, stolen or destroyed will be required to make an affidavit that their certificates are lost, stolen or destroyed and, if required by Sumitomo, to post a bond in a reasonable amount as directed by Sumitomo to indemnify against any claim that may be made against Sumitomo or the surviving corporation or the paying agent with respect to the certificates.

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None of Sumitomo, Merger Sub, CDT or the paying agent will be liable to any person in respect of any merger consideration delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

CDT and the paying agent, as applicable, are entitled to deduct and withhold from the consideration otherwise payable to holders of shares of our common stock such amounts as are required to be withheld under any tax laws.

Holders of stock issued pursuant to restricted stock units immediately prior to the merger will have their cash consideration paid directly by CDT as described below.

Treatment of Stock Options and Restricted Stock Units

All of the options to purchase CDT common stock with an exercise price of less than $12 per share that are vested as of the effective time of the merger, including those options that vest as a result of the merger, will be terminated and cancelled in consideration for a cash payment equal to the product of (1) the excess of $12 over the applicable option exercise price and (2) the number of shares subject to such option. Any remaining options with exercise prices at or above $12 per share will be cancelled. All restricted stock units (whether or not vested) outstanding as of the effective time of the merger will be cancelled in exchange for a cash payment equal to the product of (1) $12 and (2) the number of shares subject to such restricted stock unit.

CDT will make payments to holders of options and restricted stock units at the effective time of the merger, after withholding taxes as required by applicable law. Sumitomo will cause Merger Sub or the paying agent to provide CDT with sufficient funds to make these payments.

Certificate of Incorporation and By-Laws

The merger agreement provides that at the effective time of the merger, the certificate of incorporation and by-laws of Merger Sub will become the certificate of incorporation and by-laws of the surviving corporation, except that the name of the surviving corporation shall be Cambridge Display Technology, Inc.

Directors and Officers

The merger agreement provides that the directors of Merger Sub immediately before the effective time of the merger will be the directors of the surviving corporation. The officers of CDT immediately prior to the effective time will be the initial officers of the surviving corporation until their respective successors are appointed.

Representations and Warranties

The merger agreement contains representations and warranties made by us to Sumitomo and Merger Sub, including representations and warranties relating to:

- due organization, power and standing, our certificate of incorporation and other organizational documents (and those of our subsidiaries) and other corporate matters of us and our subsidiaries;
- our subsidiaries (including their capitalization) and other equity interests owned by us;
- our capitalization;
- authorization, execution, delivery and enforceability of the merger agreement, its approval by our board of directors, and their recommendation to our stockholders to vote in favor of the merger agreement and merger, and the stockholder vote required by Delaware law to approve and adopt the merger agreement and adopt the merger;

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conflicts or violations under charter documents, contracts and instruments or law, and required consents and approvals;

reports, proxy statements and financial statements filed with the Securities and Exchange Commission (the SEC) and the accuracy of the information in those documents, and the absence of undisclosed liabilities arising since our latest SEC filing;

material accuracy and completeness of information we include in this proxy statement, and this proxy statement s compliance with SEC rules promulgated under the Exchange Act

conduct of business consistent with our past practice and the absence of a company material adverse effect and certain other changes (including to our capitalization, employment arrangements or tax or accounting matters) or events concerning us or our subsidiaries, since March 31, 2007;

taxes;

employee benefit plans;

pension and life insurance arrangements;

UK employment matters;

UK share incentives;

pending or threatened material litigation;

compliance with applicable laws;

brokerage or finders fees, and other fees with respect to the merger;

opinion of our financial advisor;

environmental matters;

intellectual property;

material contracts;

owned and leased real property;
insurance; and

labor and employment matters;

The merger agreement also contains representations and warranties made by Sumitomo and Merger Sub to us, including representations and warranties relating to:

due organization, power and standing, and other corporate matters;

authorization, execution, delivery and enforceability of the merger agreement;

no conflicts or violations under charter documents, contracts and instruments or law, and required consents and approvals;

sufficient capital resources to consummate the merger and pay related fees and expenses;

accuracy of information supplied by Sumitomo for inclusion in the proxy statement in connection with the merger;

brokerage or finders fees, and other fees with respect to the merger;

absence of operations of Merger Sub, other than in connection with the merger agreement and merger; and

not being an interested stockholder of CDT pursuant to Section 203 of the DGCL.

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The representations and warranties of each of the parties to the merger agreement will expire at the effective time of the merger or earlier termination of the merger agreement. The representations and warranties of each party set forth in the merger agreement have been made solely for the benefit of the other party to the merger agreement, and such representations and warranties should not be relied on by any other person. In addition, CDT s representations and warranties are qualified by materiality standards that may differ from what may be viewed as material by investors and are qualified by the information in the disclosure letter that CDT delivered to Sumitomo in connection with signing the merger agreement. The disclosure letter referred to above contains information (including information that has been included in CDT s prior public disclosures, as well as potential additional non-public information) that modifies, qualifies and creates exceptions to the representations and warranties set forth in the merger agreement, regardless of whether an exception is noted. Accordingly, no reliance should be made that the representations and warranties as characterizations of the actual state of facts. Moreover, information concerning the subject matter of the representations and warranties may change after the date of execution of the merger agreement, which subsequent information may or may not be fully reflected in CDT s public disclosures.

Covenants; Conduct of the Business of CDT Prior to the Merger

Under the merger agreement, subject to certain exceptions or to the extent Sumitomo gives prior written consent, between the date of merger agreement and the effective time of the merger, we have agreed that we will:

- conduct our business in the ordinary course, in substantially the same manner as previously conducted and in compliance with law; and
- use commercially reasonable efforts to preserve our business organization, keep available the services of our executive officers and employees and preserve our relationships with customers, suppliers, licensors, licensees and other third parties.

We have agreed to promptly notify Sumitomo of any material adverse effect involving our business or operations. In addition, during the same period, we have also agreed that we will not, and will cause our subsidiaries not to, without Sumitomo s prior written consent, which consent will not be withheld unreasonably:

- declare, set aside or pay any dividend or other distribution or split, combine or reclassify any capital stock;
- purchase, redeem or acquire, directly or indirectly, any of our or our subsidiaries capital stock;
- issue, deliver, sell, authorize, pledge or otherwise encumber any capital stock, voting debt or convertible securities or other rights to acquire shares;
- amend our charter documents or those of any of our subsidiaries;
- acquire or agree to acquire another business or acquire material assets;
- grant to any employee, executive officer or director of CDT or any subsidiary any increase in compensation, outside of the ordinary course and consistent with past practice, grant to any of the foregoing any severance or termination pay, enter into any employment, consulting, indemnification, severance or termination agreement with any of such individuals, establish or amend in any material respect any CDT benefit plan, or take any action to accelerate any employee rights or benefits;

make any change in our accounting methods, principles or practices, except as required by GAAP, or by applicable law (including SEC Regulation S-X);

sell, lease, license, encumber or otherwise dispose of any material properties, assets or licenses, other than in the ordinary course of business consistent with past practice;

incur any indebtedness for borrowed money or guarantee indebtedness of any other person, issue or sell debt securities, enter into keep well or similar agreements, except for short-term borrowings in the ordinary course, or make loans, advances or capital contributions to any person, other than to CDT or any of its wholly-owned subsidiaries

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make or agree any new capital expenditure in excess of CDT s 2007 capital expenditure plan, or as otherwise disclosed to Sumitomo;

make tax-related elections or changes or enter into tax-related extensions, settlements or waivers;

pay, discharge or satisfy any claims or liabilities other than in accordance with their terms or in the ordinary course and consistent with past practice, cancel any material indebtedness, or waive the benefits of any confidentiality or standstill agreement;

enter into any agreement to license our intellectual property;

take any action that will materially decrease our working capital or cash balance from their March 31, 2007 amounts, other than in the ordinary course and consistent with past practice, payments in connection with the merger agreement and merger, and payments not to exceed $5 million in connection with our TMA project; or

agree to do any of the above actions.

No Solicitation of Company Takeover Proposals

The merger agreement provides that CDT will not, nor shall it authorize any CDT subsidiary to, nor shall it authorize or permit any officer, director or employee of, or any investment banker, attorney or other advisor or representative to, directly or indirectly:

solicit, initiate or encourage the submission of any company takeover proposal (as described below);

enter into any agreement with respect to a company takeover proposal; or

participate or engage in any discussions or negotiations regarding, or furnish to any person any information or data with respect to, or take any other action to facilitate or encourage any inquiries or the making of any proposal that constitutes or would reasonably be expected to lead to a company takeover proposal.

Prior to the approval of the merger agreement by the CDT stockholders, we may, to the extent required by the board s fiduciary obligations (determined in good faith by a majority of our directors following consultation with outside legal counsel) provide information to a third party making a company takeover proposal and participate in negotiations and discussions with such person in respect of a company takeover proposal if:

the proposal is a bona fide written company takeover proposal that is made by a person determined by a majority of our directors, in good faith and after consultation with outside legal counsel and its independent financial advisor, to be reasonably capable of making a company superior proposal (as described below);

a majority of our board of directors in good faith reasonably determines, after consultation with its outside legal counsel and financial advisors, that the company takeover proposal is, or is reasonably likely to result in, a company superior proposal that was not solicited by CDT and did not otherwise result from a breach of our non-solicitation obligations;

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the third party has executed a customary confidentiality agreement; and

CDT contemporaneously makes available to Sumitomo the same information being furnished to the third party, to the extent the information was not previously provided to Sumitomo.

As described in the merger agreement and this proxy statement, the term company takeover proposal means any offer or proposal, relating to any transaction or series of related transactions involving:

any proposal for a merger, consolidation, dissolution, recapitalization or other business combination involving CDT;

any proposal for the issuance by CDT of over 15% of its equity securities as consideration for the assets or securities of another person; or

any proposal or offer to acquire in any manner , directly or indirectly, over 15% of the equity interest in any voting securities of, or the assets of, CDT or any of its subsidiaries, in each case other than the merger agreement, any transaction permitted by the merger agreement, or the merger.

As described in the merger agreement and this proxy statement, the term superior company proposal means:

any proposal made by a third party to acquire, directly or indirectly, all of the CDT common stock or all, or substantially all, our assets, pursuant to a tender offer, exchange offer, merger, consolidation, a liquidation or dissolution, recapitalization, a sale of all or substantially all assets, or otherwise;

that is on terms that a majority of our board of directors determines in good faith to be superior from a financial point of view to CDT common stockholders (following consultation with its CDT s independent financial adviser), taking into account all the terms and conditions of such proposal and the merger agreement (including any proposal by Sumitomo to amend the terms of the merger agreement), that is not subject to a financing condition (or if so subject, is accompanied by evidence of committed financing from financial institutions of international reputation), and is reasonably capable of being consummated, taking into account all financial, regulatory, legal and other aspects of such proposal.

The merger agreement provides that neither our board of directors, nor any committee thereof: (1) shall withdraw or modify, or propose publicly to withdraw or modify, in a manner adverse to Sumitomo, its recommendation or approval in favor of the merger agreement or the merger, (2) approve any letter of intent, agreement in principle, acquisition agreement or similar agreement relating to any company takeover proposal, or (3) approve or recommend, or propose to approve or recommend, any company takeover proposal. Notwithstanding the foregoing, if, prior to the obtaining of CDT stockholder approval, our board receives a superior company proposal and as a result thereof a majority of the directors determine in good faith, after consultation with outside counsel and receipt of advice therefrom, that it is necessary to do so in order to comply with their fiduciary obligations, our board may withdraw or modify its approval or recommendation of the merger and the merger agreement.

We and our subsidiaries are also obligated to immediately cease and cause to be terminated any existing activities, discussions or negotiations with any parties conducted prior to the date of the merger agreement with respect to any company takeover proposal. If we receive a company takeover proposal or an inquiry that would reasonably be expected to lead to a company takeover proposal or request for discussions, we must notify Sumitomo and promptly provide them with the material terms and conditions of the company takeover proposal, and the identity of the person or group making the company takeover proposal or inquiry , including any material change to the terms of such company takeover proposal, and shall keep Sumitomo fully informed as to the status of such company takeover proposal.

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Access to Information; Confidentiality

CDT shall, and shall cause each of its subsidiaries to, afford to Sumitomo, and to Sumitomo s officers, employees, accountants, counsel, financial advisors and other representatives, reasonable access during normal business hours during the period prior to the effective time to all their respective properties, books, contracts, commitments, personnel and records , subject to specified exceptions.

Best Efforts; Notification

Each of CDT and Sumitomo has agreed to use its best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the merger and related transactions, including (i) the obtaining of all necessary actions or nonactions, waivers, consents and approvals from governmental entities and the making of all necessary registrations and filings (including filings with governmental entities, if any) and the taking of all reasonable steps as may be necessary to obtain an approval or waiver from, or to avoid an action or proceeding by, any governmental entity, (ii) the obtaining of any and all necessary consents, approvals or waivers from third parties, (iii) the defending of any lawsuits or other legal proceedings, whether judicial or administrative, challenging the merger agreement or the consummation of the merger, including any proceeding in connection with appraisal shares or lawsuits and proceedings seeking to have any stay or temporary restraining order entered by any court or other governmental entity vacated or reversed and (iv) the execution and delivery of any additional instruments necessary to consummate the merger and to fully carry out the purposes of the merger agreement.

CDT shall give prompt notice to Sumitomo, and Sumitomo shall give prompt notice to CDT, of (i) any representation or warranty made by it contained in the merger agreement that is qualified as to materiality becoming untrue or inaccurate in any respect or any such representation or warranty that is not so qualified becoming untrue or inaccurate in any material respect or (ii) the failure by it to comply with or satisfy in any material respect any covenant, condition or agreement to be complied with or satisfied by it under the merger agreement.

Employee Benefits

For a period of two years after the effective time, Sumitomo shall either (A) maintain or cause the surviving corporation (or in the case of a transfer of all or substantially all the assets and business of the surviving corporation, its successors and assigns) to maintain CDT s benefit plans (other than plans providing for the issuance of CDT common stock or based on the value of CDT common stock) at the benefit levels in effect on the date of the merger agreement or (B) provide or cause the surviving corporation (or, in such case, its successors or assigns) to provide benefits to employees (other than plans providing for the issuance of equity securities or based on the value of equity securities) of CDT and its subsidiaries that, taken as a whole, are not materially less favorable in the aggregate on the date hereof to such employees. This obligation shall only apply to benefits that are available to the employees of CDT in general as opposed to benefits that are only available to particular individuals.

From and after the effective time, Sumitomo shall, and shall cause the surviving corporation to honor in accordance with their respective terms (as in effect on the date of the merger agreement), all of CDT s employment, severance and termination agreements (including entitlement to pay in lieu of notice in the event of termination), plans and policies disclosed to Sumitomo.

Indemnification and Insurance

Sumitomo has agreed to cause the surviving corporation to fulfill and honor all indemnification obligations of CDT with respect to its present and former officers and directors pursuant to the indemnification provisions of the certificate of incorporation and by-laws of CDT and the indemnification agreements in effect on the date of the merger agreement. The indemnification provisions of the surviving corporation s certificate of incorporation

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and by-laws or organization documents will contain provisions at least as favorable to those of CDT in effect as of the date of the merger agreement, and those provisions may not be amended, repealed or modified in a manner that would adversely affect the rights of such present and former officers and directors, for a period of six years from the effective time of the merger. The merger agreement requires that, for a period of six years after the effective time of the merger, Sumitomo will cause the surviving corporation to maintain directors and officers liability insurance for our covered officers and directors on terms that are, in the aggregate, no less favorable than the terms of our current policies, provided that the surviving corporation is not required to pay an annual premium in excess of 200% of our last annual premium.

Conditions to Completion of the Merger

The obligations of CDT, Sumitomo and Merger Sub to complete the merger are subject to the satisfaction of the following conditions:

- the CDT stockholders have duly adopted the merger agreement; and
- there shall not be pending or threatened any suit, action or proceeding (in each case that has a reasonable likelihood of success) nor any temporary restraining order, preliminary or permanent injunction or other judgment or order issued by a court of competent jurisdiction or other governmental entity of competent jurisdiction in effect (i) seeking to or making the merger illegal or otherwise prohibiting or limiting the consummation of the merger, in any way, including any limitations on the ownership or operation of CDT and limitations on the ability of Sumitomo to acquire, hold or exercise full rights of ownership or (ii) seeking to obtain from CDT or Sumitomo any damages that are material in relation to CDT and its subsidiaries taken as a whole assuming the merger has been given effect (other than the certain disclosed CDT litigation) and no law or regulation preventing the consummation of the merger shall be in effect.

In addition, the obligations of Sumitomo and Merger Sub to complete the merger are subject to the satisfaction or waiver by Sumitomo of certain conditions, including the following:

- CDT s representations and warranties are true and correct as of the date of the merger agreement and the date of the closing of the merger (except for representations and warranties which address matters only as of a particular date must be true and correct only on such date), except in each case for such inaccuracies or breaches which, individually or in the aggregate, would not reasonably be expected to have a company material adverse effect ;
- CDT has performed in all material respects its obligations under the merger agreement required to be performed by it on or prior to the closing date of the merger;
- there shall not have occurred a company material adverse effect since the date of the merger agreement, or any change, circumstance, event or effect that is reasonably expected to have a company material adverse effect; and
- appraisal shares (as defined in the merger agreement) shall not constitute more than ten percent (10%) of the CDT common stock.

As used in the merger agreement and this proxy statement, the term company material adverse effect means any change, circumstance, event or effect which

- is materially adverse to the business, operations, assets, properties, liabilities, financial condition or results of operations of CDT and its subsidiaries, taken as a whole, other than:

conditions generally affecting the United States or United Kingdom economy or generally affecting one or more industries in which CDT or one or more subsidiaries operate, which changes do not disproportionately affect us;

effects primarily resulting from a failure to meet securities analysts published revenue or earnings predictions for us for any period ending (or for which revenues or earnings are released) after the date of the merger agreement, excluding the revenues or earnings themselves and any effect that may have affected our revenues or earnings,

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changes in GAAP;

changes after the date of the merger agreement in laws and rules of general applicability; or

effects primarily resulting from announcement of the merger;

In addition, the obligations of CDT to complete the merger are subject to the satisfaction or waiver by CDT of the following conditions:

Sumitomo and Merger Sub have each performed in all material respects its covenants and obligations under the merger agreement required to be performed by it on or prior to the closing date of the merger; and

Sumitomo s and Merger Sub s representations and warranties are true and correct as of the date of the merger agreement and the date of the closing of the merger (except for representations and warranties which address matters only as of a particular date must be true and correct only on such date), except in each case for such inaccuracies or breaches which, individually or in the aggregate, would not reasonably be expect to have a material adverse effect on Sumitomo or materially impede the ability of Sumitomo or Merger Sub to consummate the transactions contemplated by the merger agreement.

Termination

The merger agreement may be terminated:

by mutual written consent of Sumitomo and CDT;

by Sumitomo or CDT, if the merger has not been consummated on or before March 31, 2008

by Sumitomo or CDT, if a governmental entity takes any final and nonappealable action prohibiting the merger;

by Sumitomo or CDT, if the CDT s stockholders do not approve and adopt the merger agreement and approve the merger;

by Sumitomo, if (i) our board withdraws or modifies, or proposes to withdraw or modify, in a manner adverse to Sumitomo its approval or recommendation of the merger agreement, fails to recommend to CDT stockholders that they give their approval, or approves or recommends another company takeover proposal, (ii) fails to reaffirm unconditionally its recommendation to the CDT stockholders that they give their approval (including unconditionally rejecting any third party company takeover proposal) upon Sumitomo s request or (iii) the non-solicitation provisions of the merger agreement are breached by us or any of the CDT s officers, directors, employees, representatives or agents;

by Sumitomo or CDT, if the other party breaches any of its representations, warranties, covenants or agreements in the merger agreement, such that the closing conditions would not be satisfied, and such breach is incurable or, if it is curable, it is not cured within thirty days of written notice of the breach; or

by CDT, if it has entered into a definitive agreement with respect to a company superior proposal in accordance with the terms of the merger agreement, subject to payment of the termination fee described below.

The company may terminate the merger agreement to accept a company superior proposal only if (i) our board has received a superior company proposal, (ii) in light of such superior company proposal a majority of our directors shall have determined in good faith, after consultation with outside counsel, that it is necessary for the board to withdraw or modify its approval or recommendation of the merger agreement or the merger in order to comply with its fiduciary duty under applicable law, (iii) CDT has notified Sumitomo in writing of the

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determinations described above, (iv) at least ten business days following receipt by Sumitomo of that notice, and taking into account any revised written proposal made by Sumitomo since receipt of that notice, such superior company proposal remains a superior company proposal and a majority of our directors has again made the determinations referred to above, (v) CDT is in compliance with its non-solicitation obligations, (vi) CDT concurrently pays the termination fee described below and (vii) our board of directors concurrently approves, and CDT concurrently enters into, a definitive agreement providing for the implementation of such superior company proposal.

Termination Fees

If the merger agreement is terminated, CDT has agreed to pay Sumitomo a termination fee of $11.25 million under the following circumstances:

- if the merger agreement is terminated by the CDT because CDT enters into a definitive binding agreement with respect to a company superior proposal;

- if the merger agreement is terminated by Sumitomo, because prior to CDT stockholder adoption and approval of the merger agreement and the merger, our board of directors (i) withdraws or modifies, or proposes to withdraw or modify, in a manner adverse to Sumitomo its approval or recommendation of the merger, fails to recommend that CDT stockholders approve the merger or approves or recommends any competing company takeover proposal, or (ii) fails to reaffirm unconditionally its recommendation to the CDT stockholders that they give their approval (including unconditionally rejecting any third party company takeover proposal) upon Sumitomo s request;

- if the merger agreement is terminated by Sumitomo because CDT breached any of its representations, warranties, covenants or agreements in the merger agreement, such that the closing conditions would not be satisfied, and such breach is incurable or, if it is curable, it is not cured within thirty days of written notice of the breach and within one year of the termination CDT enters into (or consummates) a change of control transaction (as defined in the merger agreement);

- if the merger agreement is terminated by Sumitomo because CDT s non-solicitation obligations are breached by us or any of our officers, directors, employees, representatives or agents , and within one year of the termination we enter into (or consummates) a change of control transaction.

In addition, we have agreed to reimburse Sumitomo and Merger Sub for their out of pocket expenses of $5 million (of which $1 million would be payable on termination and $4 million plus 5% interest would be payable no later than 15 months after termination) if the merger agreement is terminated by Sumitomo because:

- CDT breaches any of its representations, warranties, covenants or agreements, such that the closing conditions would not be satisfied, and such breach is incurable or, if it is curable, it is not cured within thirty days of written notice of the breach; or

- CDT s non-solicitation obligations are breached by us or any of our officers, directors, employees, representatives or agents.

The company has agreed to reimburse Sumitomo and Merger Sub for expenses actually incurred (not to exceed $8 million) under the following circumstances:

- the merger agreement is terminated by the mutual agreement of Sumitomo and us and within one year of the termination the company enters into a definitive agreement with respect to (or consummates) a change of control transaction;

the merger agreement is terminated by either Sumitomo or us because the merger fails to close on or prior to March 31, 2008 and within one year of the termination CDT enters into a definitive agreement with respect to (or consummates) a change of control transaction; or

the merger agreement is terminated by either Sumitomo or CDT because our stockholders vote against the merger and within one year of the termination CDT enters into a definitive agreement with respect to (or consummates) a change of control transaction.

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Expenses

The merger agreement provides that other than termination fees and expense reimbursements, described above, all costs and expenses incurred in connection with the merger agreement and the transactions contemplated by the merger agreement will be paid by the party incurring the expenses.

Amendment

The merger agreement may be further amended by the parties at any time before or after any approval of the merger agreement by the CDT stockholders, but after the stockholder approval, no amendment may be made for which the law requires stockholder approval without such stockholder approval.

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SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

The following table sets forth information regarding ownership of CDT common stock as of July 31, 2007, except as otherwise noted, by:

- each of those persons owning of record or known by CDT to be the beneficial owner of more than five percent of outstanding CDT common stock;
- each of CDT s directors;
- each of CDT s executive officers; and
- all of CDT s directors and executive officers as a group.

The number of shares of CDT common stock outstanding on July 31, 2007 was 21,631,703. Except as noted, all information with respect to beneficial ownership has been furnished by each director or officer or is based on filings with the Securities and Exchange Commission. Unless otherwise indicated below and other than the support agreement entered into with Sumitomo, pursuant to which Sumitomo may be deemed to be a 43% beneficial owner of CDT common stock, voting and investment power of shares reported in this table is not shared with others. Beneficial ownership of CDT common stock has been determined according to Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, which provide that a person is deemed to be the beneficial owner of shares of stock if the person, directly or indirectly, has or shares the voting or investment power of that stock, or has the right to acquire ownership of the stock within 60 days. Shares, or rights to acquire shares, which may vest within 60 days only if the merger closes are not included in this table.

Name and Address of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned	Percentage of Common Stock Beneficially Owned
Kelso Investment Associates VI, L.P. (1)(2)	8,657,833	40.0%
KEP VI, LLC (1)(2)	8,657,833	40.0%
Frank T. Nickell (1)	(3)	(3)
Thomas R. Wall, IV (1)	(3)	(3)
George E. Matelich (1)	(3)	(3)
Michael B. Goldberg (1)	(3)	(3)
David I. Wahrhaftig (1)	(3)	(3)
Frank K. Bynum, Jr. (1)(4)	(3)	(3)
Philip E. Berney (1)	(3)	(3)
Frank J. Loverro (1)	(3)	(3)
James J. Connors II (1)	(3)	(3)
Powershares Capital Management LLC (5)	1,245,461	5.8%
Fidelity Growth Company Fund (6)	1,251,100	5.8%
Thomas Rosencrants		*
Joseph Carr (7)	10,000	*
Dr. Malcolm J. Thompson (8)	5,000	*
Dr. David Fyfe	90,600	*
Michael Black (9)	21,339	*
Dr. Jeremy Burroughes		*
Stephen Chandler		*
Dr. SB Cha	28,917	*
Dr. Scott Brown		*
Daniel Abrams		*

Mr. Jim Veninger		*
All directors and executive officers as a group (11 persons) (10)	8,813,689	40.7%

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* Less than 1%

(1) Based on information contained in Schedule 13G, as filed on February 14, 2005, as amended by Schedule 13G/A, as filed on May 2, 2005. The business address for these persons is c/o Kelso & Company, 320 Park Avenue, 24th Floor, New York, New York 10022.

(2) The shares owned by Kelso Investment Associates VI, L.P. and KEP VI, LLC represent the combined share ownership of Kelso Investment Associates VI, L.P. and KEP VI, LLC. Kelso Investment Associates VI, L.P. and KEP VI, LLC, due to their common control, could be deemed to beneficially own each of the other s shares, but disclaim such beneficial ownership.

(3) Messrs. Nickell, Wall, Matelich, Goldberg, Wahrhaftig, Bynum, Berney, Loverro and Connors may be deemed to share beneficial ownership of shares owned of record by Kelso Investment Associates VI, L.P. and KEP VI, LLC, by virtue of their status as managing members of KEP VI, LLC and the general partner of Kelso Investment Associates VI, L.P. Messrs. Nickell, Wall, Matelich, Goldberg, Wahrhaftig, Bynum, Berney, Loverro and Connors share investment and voting power with respect to the shares owned by Kelso Investment Associates VI, L.P. and KEP VI, LLC, but disclaim beneficial ownership of such shares.

(4) Mr. Bynum is currently a director.

(5) Based on information contained in Schedule 13G as filed on February 14, 2007. The business address of this person is 30 Finsbury Square, London EC2A 1AG, England. This schedule was filed by AMVESCAP PLC, on behalf of its subsidiary Powershares Capital Management LLC

(6) Based on information contained in Schedule 13G as filed on February 14, 2007. The business address of this person is 82 Devonshire Street, Boston, Massachusetts 02109. This schedule was filed by FMR Corp., on behalf of Fidelity Growth Fund.

(7) Consists of shares issuable to Mr. Carr upon exercise of options exercisable within 60 days.

(8) Consists of shares issuable to Mr. Thompson upon exercise of options exercisable within 60 days

(9) Consists of shares issuable to Mr. Black upon exercise of options exercisable within 60 days

(10) Includes shares held by Kelso Investment Associates VI, L.P. and KEP VI, LLC that may be deemed to be beneficially owned by Mr. Bynum.

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STOCKHOLDER PROPOSALS

If the merger is completed, there will be no public stockholders of CDT and no public participation in any future meetings of our stockholders. However, if the merger is not completed, we will hold a 2008 annual meeting of stockholders. In that event, CDT stockholders may submit proper proposals for inclusion in our proxy statement and for consideration at the next annual meeting of our stockholders by submitting their proposals in writing to the Secretary of CDT in a timely manner. In order to be included in CDT s proxy materials for the annual meeting of stockholders to be held in the year 2008, stockholder proposals must be received by the Secretary of CDT no later than December 31, 2007, and must otherwise comply with the requirements of Rule 14a-8 promulgated under the Securities Exchange Act of 1934, as amended. CDT reserves the right to reject, rule out of order, or take other appropriate action with respect to any proposal that does not comply with these and other applicable requirements.

If you wish to submit a proposal for consideration at our next annual general meeting of shareholders but that is not to be included in our proxy statement, you must deliver the proposal in writing (and otherwise comply with the requirements in our by-laws relating to the submission of proposals) to: Cambridge Display Technology, Inc., c/o Cambridge Display Technology Limited, 2020 Cambourne Business Park, Cambridge, CB23 6DW United Kingdom, Attention: Company Secretary.

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OTHER MATTERS

The CDT board of directors knows of no other matters that are likely to be brought before the meeting, but if other matters do properly come before the meeting which we did not have notice of prior to , 2007, or that applicable laws otherwise permit proxies to vote on a discretionary basis, it is intended that the person authorized under solicited proxies will vote or act thereon in accordance with their own judgment.

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WHERE YOU CAN OBTAIN ADDITIONAL INFORMATION

CDT is subject to the informational requirements of the Securities Exchange Act of 1934 and files reports, proxy statements and other information with the SEC. You may read and copy these reports, proxy statements and other information at the SEC s Public Reference Section at 450 Fifth Street, N.W., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet website, located at http://www.sec.gov, which contains reports, proxy statements and other information regarding registrants that file electronically with the SEC.

The SEC allows us to incorporate by reference information into this proxy statement, which means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered part of this proxy statement, except for any information superseded by information contained directly in this proxy statement or in later filed documents incorporated by reference in this proxy statement.

This proxy statement incorporates by reference the documents set forth below that we have previously filed with the SEC.

SEC filings	Period
Annual Report on Form 10-K	Year ended December 31, 2006, as filed on March 1, 2007
Quarterly Report on Form 10-Q	Quarter ended March 31, 2007, as filed on May 15, 2007
Current Reports on Form 8-K	As filed on May 15, June 29 and July 31, 2007 (two reports)

We also incorporate by reference additional documents that may be filed with the SEC between the date of this proxy statement and the date of the special meeting of stockholders or, if sooner, the termination of the merger agreement. These include periodic reports, such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as proxy statements.

Stockholders may obtain documents incorporated by reference in this proxy statement and other information relating to CDT at its website www.cdtltd.co.uk.

You should rely only on the information contained or incorporated by reference into this proxy statement. We have not authorized anyone to provide you with information that is different from what is contained in this proxy statement or in any of the materials that have been incorporated by reference into this document. If you are in a jurisdiction where the solicitation of proxies is unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this document does not extend to you. This proxy statement is dated , 2007. You should not assume that the information contained in this proxy statement is accurate as of any date other than that date. The mailing of this proxy statement to stockholders does not create any implication to the contrary.

If you have questions about the special meeting or the merger after reading this proxy, or if you would like additional copies of this proxy statement or the proxy card, you should contact CDT s proxy solicitors, Georgeson Shareholder toll-free at (800) from the United States or from the rest of the world.

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ANNEX A

EXECUTION COPY

AGREEMENT AND PLAN OF MERGER

Dated as of July 31, 2007

Among

SUMITOMO CHEMICAL CO., LTD.,

ROSY FUTURE, INC.

and

CAMBRIDGE DISPLAY TECHNOLOGY, INC.

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AGREEMENT AND PLAN OF MERGER dated as of July 31, 2007 (this *Agreement*) among SUMITOMO CHEMICAL CO., LTD., a Japanese corporation (*Parent*), ROSY FUTURE, INC., a Delaware corporation (*Sub*), and a wholly owned subsidiary of Parent, and CAMBRIDGE DISPLAY TECHNOLOGY, INC., a Delaware corporation (the *Company*).

WHEREAS the respective Boards of Directors of Parent, Sub and the Company have approved the acquisition of the Company by Parent on the terms and subject to the conditions set forth in this Agreement;

WHEREAS the respective Boards of Directors of Parent, Sub and the Company have approved the merger (the *Merger*) of Sub with and into the Company on the terms and subject to the conditions set forth in this Agreement, whereby each issued share of common stock, par value $0.01 per share, of the Company (the *Company Common Stock*) not beneficially owned by Parent, Sub or the Company shall be converted into the right to receive the Merger Consideration (as defined in Section 2.01(c)) as provided herein;

WHEREAS simultaneously with the execution and delivery of this Agreement Parent and certain stockholders of the Company (the *Principal Company Stockholders*) are entering into several support agreements (the *Support Agreements* and, together with this Agreement, the *Transaction Agreements*) pursuant to which the Principal Company Stockholders will agree (on the terms and subject to the conditions therein set forth) to approve, and take other specified actions in furtherance of the Merger;

WHEREAS Parent, Sub and the Company desire to make certain representations, warranties, covenants and agreements in connection with the Merger and also to prescribe various conditions to the Merger.

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I

THE MERGER

Section 1.01 *The Merger*. On the terms and subject to the conditions set forth in this Agreement, and in accordance with the Delaware General Corporation Law (the *DGCL*), Sub shall be merged with and into the Company at the Effective Time. At the Effective Time, the separate corporate existence of Sub shall cease and the Company shall continue as the surviving corporation (the *Surviving Corporation*) of the Merger.

Section 1.02 *Closing*. The closing (the *Closing*) of the Merger shall take place at the offices of Pillsbury Winthrop Shaw Pittman LLP, 1540 Broadway, New York, New York 10036 at 10:00 a.m. (New York City time) on the first business day following the satisfaction (or, to the extent permitted by Law, waiver by all parties) of the conditions set forth in Section 7.01, or, if on such day any condition set forth in Section 7.02 or 7.03 has not been satisfied (or, to the extent permitted by Law, waived by the party or parties entitled to the benefits thereof), as soon as practicable after all the conditions set forth in Article VII have been satisfied (or, to the extent permitted by Law, waived by the parties entitled to the benefits thereof), or at such other place, time and date as shall be agreed in writing between Parent and the Company. The date on which the Closing occurs is referred to in this Agreement as the *Closing Date*.

Section 1.03 *Effective Time*. Prior to the Closing, the Company shall prepare, and on the Closing Date or as soon as practicable thereafter the Company shall file with the Secretary of State of the State of Delaware, a certificate of merger or other appropriate documents (in any such case, the *Certificate of Merger*) executed in accordance with the relevant provisions of the DGCL and shall make all other filings or recordings required under the DGCL. The Merger shall become effective at such time as the Certificate of Merger is duly filed with such Secretary of State, or at such other time as Parent and the Company shall agree and specify in the Certificate of Merger (the date and time the Merger becomes effective being the *Effective Time*).

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Section 1.04 *Effects*. The Merger shall have the effects set forth in Section 259 of the DGCL. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time all the property, rights, privileges, powers and franchises of the Company and Sub shall be vested in the Surviving Corporation, and all debts, liabilities and duties of the Company and Sub shall become the debts, liabilities and duties of the Surviving Corporation.

Section 1.05 *Certificate of Incorporation and By-laws*. (a) The Certificate of Incorporation of the Surviving Corporation shall be amended at the Effective Time to be the same as the certificate of incorporation of the Sub, except that the corporate name of the Company shall remain the corporate name of the Surviving Corporation, and, as so amended, such Certificate of Incorporation shall be the Certificate of Incorporation of the Surviving Corporation until thereafter changed or amended as provided therein or by applicable Law.

(b) The by-laws of Sub as in effect immediately prior to the Effective Time shall be the by-laws of the Surviving Corporation until thereafter changed or amended as provided therein or by applicable Law.

Section 1.06 *Directors*. The directors of Sub immediately prior to the Effective Time shall be the directors of the Surviving Corporation, until the earlier of their resignation or removal or until their respective successors are duly elected and qualified, as the case may be.

Section 1.07 *Officers*. The officers of the Company immediately prior to the Effective Time shall be the officers of the Surviving Corporation, until the earlier of their resignation or removal or until their respective successors are duly elected or appointed and qualified, as the case may be.

ARTICLE II

EFFECT ON THE CAPITAL STOCK OF THE

CONSTITUENT CORPORATIONS; EXCHANGE OF CERTIFICATES

Section 2.01 *Effect on Capital Stock*. At the Effective Time, by virtue of the Merger and without any action on the part of the holder of any shares of Company Common Stock or any shares of capital stock of Sub:

(a) *Capital Stock of Sub*. Each issued and outstanding share of capital stock of Sub shall be converted into and become one fully paid and nonassessable share of common stock, par value $0.01 per share, of the Surviving Corporation.

(b) *Cancellation of Treasury Stock and Parent-Owned Stock*. Each share of Company Common Stock that is owned by the Company, Parent or Sub, or any subsidiary of any of the foregoing, shall no longer be outstanding and shall automatically be canceled and retired and shall cease to exist, and no consideration shall be delivered or deliverable in exchange therefor.

(c) *Conversion of Company Common Stock*. (1) Subject to Sections 2.01(b) and 2.01(d), each issued share of Company Common Stock shall be converted into the right to receive $12.00 in cash.

(2) The cash payable upon the conversion of shares of Company Common Stock pursuant to this Section 2.01(c) is referred to collectively as the *Merger Consideration*. As of the Effective Time, all such shares of Company Common Stock shall no longer be outstanding and shall automatically be canceled and retired and shall cease to exist, and each holder of a certificate representing any such shares of Company Common Stock shall cease to have any rights with respect thereto, except the right to receive Merger Consideration upon surrender of such certificate in accordance with Section 2.02, without interest.

(d) *Appraisal Rights*. Notwithstanding anything in this Agreement to the contrary, shares (*Appraisal Shares*) of Company Common Stock that are outstanding immediately prior to the Effective Time and that are held by any person who is entitled to demand and properly demands appraisal of such Appraisal Shares pursuant to, and who complies in all respects with, Section 262 of the DGCL (*Section 262*) shall not be

converted into Merger Consideration as provided in Section 2.01(c), but rather the holders of Appraisal Shares shall be entitled to payment of the fair market value of such Appraisal Shares in accordance with Section 262; *provided*, *however*, that if any such holder shall fail to perfect or otherwise shall waive, withdraw or lose the right to appraisal under Section 262, then the right of such holder to be paid the fair value of such holder s Appraisal Shares shall cease and such Appraisal Shares shall be deemed to have been converted as of the Effective Time into, and to have become exchangeable solely for the right to receive, Merger Consideration as provided in Section 2.01(c). The Company shall serve prompt notice to Parent of any demands received by the Company for appraisal of any shares of Company Common Stock, and Parent shall have the right to participate in and direct all negotiations and proceedings with respect to such demands. Prior to the Effective Time, the Company shall not, without the prior written consent of Parent, make any payment with respect to, or settle or offer to settle, any such demands, or agree to do any of the foregoing.

Section 2.02 *Exchange of Certificates*. (a) *Paying Agent*. Prior to the Effective Time, Parent shall select a bank or trust company (which shall be reasonably satisfactory to the Company) to act as paying agent (the *Paying Agent*) for the payment of the Merger Consideration upon surrender of certificates representing Company Common Stock. Sub shall pay all charges and expenses, including those of the Paying Agent, in connection with the exchange of Company Common Stock for Merger Consideration. Parent shall take all steps necessary to enable and cause the Surviving Corporation to provide to the Paying Agent on a timely basis, as and when needed after the Effective Time, cash necessary to pay for the shares of Company Common Stock converted into the right to receive cash pursuant to Section 2.01(c) (such cash being hereinafter referred to as the *Exchange Fund*).

(b) *Exchange Procedure*. As soon as reasonably practicable after the Effective Time, the Paying Agent shall mail to each holder of record of a certificate or certificates (the *Certificates*) that immediately prior to the Effective Time represented outstanding shares of Company Common Stock whose shares were converted into the right to receive Merger Consideration pursuant to Section 2.01, (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Paying Agent and shall be in such form and have such other provisions as Parent may reasonably specify) and (ii) instructions for use in effecting the surrender of the Certificates in exchange for Merger Consideration. Upon surrender of a Certificate for cancellation to the Paying Agent or to such other agent or agents as may be appointed by Parent, together with such letter of transmittal, duly executed, and such other documents as may reasonably be required by the Paying Agent, the holder of such Certificate shall be entitled to receive in exchange therefor the amount of cash into which the shares of Company Common Stock theretofore represented by such Certificate shall have been converted pursuant to Section 2.01, and the Certificate so surrendered shall forthwith be canceled. In the event of a transfer of ownership of Company Common Stock that is not registered in the transfer records of the Company, payment may be made to a person other than the person in whose name the Certificate so surrendered is registered, if such Certificate shall be properly endorsed or otherwise be in proper form for transfer and the person requesting such payment shall pay any transfer or other taxes required by reason of the payment to a person other than the registered holder of such Certificate or establish to the satisfaction of Parent that such tax has been paid or is not applicable. Until surrendered as contemplated by this Section 2.02, each Certificate shall be deemed at any time after the Effective Time to represent only the right to receive upon such surrender the amount of cash, without interest, into which the shares of Company Common Stock theretofore represented by such Certificate have been converted pursuant to Section 2.01. No interest shall be paid or accrue on the cash payable upon surrender of any Certificate.

(c) *No Further Ownership Rights in Company Common Stock*. The Merger Consideration paid in accordance with the terms of this Article II upon conversion of any shares of Company Common Stock shall be deemed to have been paid in full satisfaction of all rights pertaining to such shares of Company Common Stock, *subject*, *however*, to the Surviving Corporation s obligation to pay any dividends or make any other distributions with a record date prior to the Effective Time that may have been declared or made by the Company on such shares of Company Common Stock in accordance with the terms of this Agreement or

prior to the date of this Agreement and which remain unpaid at the Effective Time, and after the Effective Time there shall be no further registration of transfers on the stock transfer books of the Surviving Corporation of shares of Company Common Stock that were outstanding immediately prior to the Effective Time. If, after the Effective Time, any certificates formerly representing shares of Company Common Stock are presented to the Surviving Corporation or the Paying Agent for any reason, they shall be canceled and exchanged as provided in this Article II.

(d) *Termination of Exchange Fund*. Any portion of the Exchange Fund that remains undistributed to the holders of Company Common Stock for six months after the Effective Time shall be delivered to the Surviving Corporation, upon demand, and any holder of Company Common Stock who has not theretofore complied with this Article II shall thereafter look only to the Surviving Corporation for payment of its claim for Merger Consideration.

(e) *No Liability*. None of Parent, Sub, the Company or the Paying Agent shall be liable to any person in respect of any cash from the Exchange Fund delivered to a public official pursuant to any applicable abandoned property, escheat or similar Law. If any Certificate has not been surrendered prior to five years after the Effective Time (or immediately prior to such earlier date on which Merger Consideration in respect of such Certificate would otherwise escheat to or become the property of any Governmental Entity), any such shares, cash, dividends or distributions in respect of such Certificate shall, to the extent permitted by applicable Law, become the property of the Surviving Corporation, free and clear of all claims or interest of any person previously entitled thereto.

(f) *Investment of Exchange Fund*. The Paying Agent shall invest any cash included in the Exchange Fund, as directed by Parent, on a daily basis. Any interest and other income resulting from such investments shall be paid to Parent.

(g) *Lost, Stolen or Destroyed Certificates*. In the event that any Certificates shall have been lost, stolen or destroyed, the Paying Agent shall issue in exchange for such lost, stolen or destroyed Certificates, upon the making of an affidavit of that fact by the holder thereof, the Merger Consideration; *provided*, *however*; that Parent may, in its discretion and as a condition precedent to the payment of the Merger Consideration, require such owner of a lost, stolen or destroyed Certificates to deliver a bond in such sum as it may reasonably direct as indemnity against any claim that may be made against Parent, the Surviving Corporation or the Paying Agent with respect to the Certificates alleged to have been lost, stolen or destroyed.

Section 2.03 *Warrants*. The warrants issued in August 2000 have an adjusted per share exercise price greater than the per share Merger Consideration and will expire in accordance with their terms prior to the Effective Time. The warrants issued in December 2005 (together with the August 2000 warrants, the *Warrants*) have a per share exercise price equal to the per share Merger Consideration and will by their terms, upon exercise of such December 2005 warrants, confer upon their holders after the Effective Time the right to receive the aggregate amount of Merger Consideration payable with respect to the aggregate number of shares of Company Common Stock for which said December 2005 warrants are exercisable for immediately prior to the Effective Time. It is understood and agreed that the aggregate amount of Merger Consideration payable pursuant to the December 2005 warrants is $0.00.

Section 2.04 *Withholding Rights*. Parent shall be entitled to deduct and withhold from the consideration otherwise payable to any holder of Company Common Stock pursuant to this Agreement such amounts as may be required to be deducted and withheld with respect to the making of such payment under the Code, or under any provision of U.S. Federal, state, local or foreign tax Law.

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ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to Parent and Sub that except as set forth in the letter, dated as of the date of this Agreement, from the Company to Parent and Sub (the *Company Disclosure Letter*):

Section 3.01 *Organization, Standing and Power*. Each of the Company and each of its subsidiaries (the *Company Subsidiaries*) is duly organized, validly existing and in good standing (or as applicable in the appropriate jurisdiction) under the laws of the jurisdiction in which it is organized and has full corporate power and authority and possesses all governmental franchises, licenses, permits, authorizations and approvals necessary to enable it to own, lease or otherwise hold its properties and assets and to conduct its businesses as presently conducted, other than such franchises, licenses, permits, authorizations and approvals the lack of which, individually or in the aggregate, has not had and is not expected to have a Company Material Adverse Effect (as defined in Section 9.03). The Company and each Company Subsidiary is duly qualified to do business in each jurisdiction where the nature of its business or their ownership or leasing of its properties make such qualification necessary except where the failure to be so qualified has not had and is not expected to have a Company Material Adverse Effect. The Company has made available to Parent true and complete copies of its Second Amended and Restated Certificate of Incorporation, as amended to the date of this Agreement (as so amended, the *Company Charter*), and the By-laws of the Company, as amended to the date of this Agreement (as so amended, the *Company By-laws*), and the comparable charter and organizational documents of each Company Subsidiary, in each case as amended through the date of this Agreement.

Section 3.02 *Company Subsidiaries; Equity Interests*. (a) The Company Disclosure Letter lists each Company Subsidiary and its jurisdiction of organization or incorporation (as applicable). All the outstanding shares of capital stock of each Company Subsidiary have been validly issued and are fully paid and nonassessable and, except as set forth in the Company Disclosure Letter, are owned by the Company, by another Company Subsidiary or by the Company and another Company Subsidiary, free and clear of all pledges, liens, charges, mortgages, encumbrances and security interests of any kind or nature whatsoever (collectively, *Liens*).

(b) Except for its interests in the Company Subsidiaries and except for the ownership interests set forth in the Company Disclosure Letter, the Company does not own, directly or indirectly, any capital stock, membership interest, partnership i