TFT LCD Panel Makers to Maintain Capacity Utilization Rates at 85% in Q3’11

General Electric

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Lower TV Demand than Expected Causing Panel Makers to Scale Back Plans

SANTA CLARA, CALIF., July 7, 2011 Large-area TFT LCD panel price increases halted in mid-June due to an uncertain demand outlook for Q311. While demand is slowing down, especially in the TV market, the supply side is making adjustments to prevent drastic panel price fluctuations. Panel makers originally expected to raise capacity utilizationthe ratio of actual output to total available capacityto an average of 90% in Q311. However, as indicated in the July edition of the DisplaySearch *MarketWise-LCD Industry Dynamics* [1], TFT LCD capacity utilization will remain at 85% from July to September.

The average large-area TFT LCD capacity utilization fell in Q111. After reaching 79% in April, panel makers increased rates through Q211 to meet a surge in demand, and by June the rate had reached 85%. Panel makers were planning to increase capacity utilization in Q311, but this has changed in response to market conditions.

According to Deborah Yang [2], Research Director for DisplaySearch, As TFT LCD panel makers became aware of weakness in the market, they changed their Q311 fab utilization plans in an effort to maintain light inventory and control production, in the hopes of stabilizing panel prices, especially now that global TV brands have encountered sales challenges in some regions. Yang added, Reducing capacity rates reflects the trade-offs panel makers must make between over-supply and falling prices on the one hand, and increased depreciation costs at low utilization rates on the other.

According to DisplaySearch, although panel makers are anticipating increasing demand from China TV brands, together with the emergence of some seasonal demand in Q311, overall fab utilization will not increase.

Table 1: Global TFT LCD Panel Capacity Rate Forecast by Fab Generation

Fab Size	May'11 (A)	Jun'11 (F)	Jul'11 (F)	Aug'11 (F)	Sep'11 (F)
Gen 5/5.5	85%	86%	85%	85%	85%
Gen 6	79%	84%	84%	84%	84%
Gen 7	89%	89%	87%	87%	86%

Gen 8	74%	82%	83%	84%	85%
Gen 10	51%	83%	85%	85%	85%
Total	80%	85%	85%	85%	85%

Source: DisplaySearch *MarketWise-LCD Industry Dynamics* [1]

The June issue of the DisplaySearch *MarketWise-LCD Industry Dynamics* [1]report includes these additional findings:

- In June, overall LCD TV panel shipment targets increased 6% M/M, but were still 7% less than the previous forecast due to order adjustments from TV brands.
- Looking ahead to Q311, the traditional seasonality remains, but most panel makers are becoming cautious given that the TV market atmosphere seems to be negatively influenced by the unfavorable macroeconomic situation, especially in developed regions.
- The inventory level at the end of June for LCD TV panels was 7-8 days, with the monitor panels at 7 days, and mobile PC panels at 6 days, all healthy levels.
- In May, panel makers shipments to China TV makers were 4.24 million, up 8% M/M. This exceeded the previous DisplaySearch forecast by 7%. Shipments are projected to be 4.37 million in June, up 3% M/M.
- Chimei Innolux continues to lead the China TV panel market with 35%, followed by Samsung with 21%, AUO with 20% and LG Display with 16%.
- Chinese TV makers are positive about the demand outlook in China following good sales results during the May Day holidays. Industry checks indicate that Chinese TV makers kept their order forecasts almost unchanged throughout the forecast period; LCD TV panel shipments to Chinese TV makers are stable and expected to increase before possibly reaching a peak in August.
- LCD TV OEM and ODM makers, including Foxconn, Chimei Innolux, TPV, Compal and AmTRAN, plan to increase their production in August and September by 21% and 15% respectively.

The DisplaySearch *MarketWise-LCD Industry Dynamics* [1]report delivers concise, relevant information for decision-makers who need to quickly understand the entire large-area TFT LCD supply chain. Presented in a dashboard format, this report highlights the status of every aspect of the supply chain, from components to the end-market. Keep up with the ever-changing dynamics of panels, brands, capacity, production, prices and more.The DisplaySearch MarketWise-LCD Industry Dynamics *[1]* report provides clear and accurate monthly status and dynamics updates on the entire large-area TFT LCD supply chain, from components to the end market. Clients of this report have access to monthly updates on panels, brands, capacity, production, prices and more. Please contact Charles Camaroto at 1.888.436.7673 or

1.516.625.2452, e-mail contact@displaysearch.com [3] or contact your regional DisplaySearch office in China, Japan, Korea or Taiwan [4] for more information.

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SOURCE [13]

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Links:
[1] http://www.displaysearch.com/cps/rde/xchg/displaysearch/hs.xsl/marketwise_lcd_industry_dynamics_report.asp
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