

## ■ Prices of TFT LCDs for Notebook PCs, Monitors and TVs Approaching Cash Cost in Q4'08; Further Panel Price Erosion to be Limited

AUSTIN, TEXAS, October 23, 2008—TFT LCD panel price erosion continues in Q4'08 due to the weak economic outlook and slow demand. Panel prices are approaching the cash cost of panel makers for products including 14.1"W and 15.4"W notebook PC panels, as well as 17"SXGA, 19"WXGA+ and 22"WSXGA monitor panels, and 32" HD and 42" Full HD TV panels, according to the DisplaySearch [Quarterly TFT LCD Cost Forecast Reports with Annual and Quarterly Projections](#). For example, the Q4'08 panel price of the 19"WXGA+ is forecast to be US\$74, which is lower than the total cost (US\$94) and the cash cost (US\$79) for panels made on Gen 7 or 7.5 fabs, so panel makers will be selling at a negative profit margin.

According to [Yoshio Tamura](#), Senior Vice President of DisplaySearch and the author of the report, "TFT LCD panel makers face negative operating profits when panel prices are lower than the total cost. When the price approaches the cash cost, panel makers will suffer from cash out difficulties and take necessary steps to cut production and reduce capacity utilization. Despite this, our research shows that as long as panel prices approach the cash cost, we believe further panel price erosion will be limited."

Table 1: Q4'08 Panel Price, Total Cost and Cash Cost of Mainstream TFT LCD Panels (Unit: US\$)

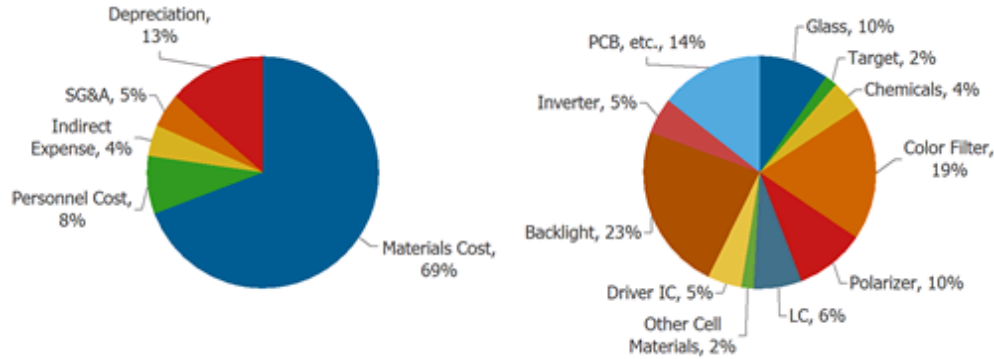
Application	TFT LCD Panels	Q4'08 Panel Price Forecast	Panel Total Cost*	Panel Cash Cost	Remarks
Notebook PC	14.1" 1280 × 800	\$64	\$66	\$56	Made in Gen 5
	15.4" 1280 × 800	\$65	\$77	\$63	Made in Gen 5
LCD Monitor	17" 1280 × 1024	\$68	\$90	\$73	Made in Gen 5
			\$85	\$74	Made in Gen 7
	19" 1440 × 900	\$74	\$94	\$77	Made in Gen 5
			\$94	\$80	Made in Gen 7
22" 1680 × 1050	\$99	\$125	\$106	Made in Gen 7	
LCD TV	32" HD	\$223	\$256	\$221	Made in Gen 6
			\$248	\$218	Made in Gen 8
	42" Full HD	\$425	\$435	\$390	Made in Gen 7

\*Total cost including depreciation

Source: [Quarterly TFT LCD Cost Forecast Reports with Annual and Quarterly Projections](#)

DisplaySearch's [Quarterly TFT LCD Cost Forecast Reports with Annual and Quarterly Projections](#) also analyzes the cost structure of the TFT LCD panels for different applications made in different generation fabs. In the case of a 32" HD panel, the materials and components account for 69% of the total panel cost. Among the materials cost, backlight accounts for the largest portion, at 23%; color filters account for 19%, polarizer 10%, glass 10%, and liquid crystal 6%. DisplaySearch research indicates that these five key parts are still the focus of the panel makers, and as a result they are aggressively changing the panel design structure and asking materials suppliers to reduce prices. Materials costs for Q4'08 are expected to fall by 3% Q/Q for notebook panels, 4% for monitor panels and 5% for TV panels. On the other hand, the fact that some Gen 5 and 6 fabs in Taiwan and Korea are fully or partially depreciated will help to improve panel cost structures.

Table 2: Q4'08 32" HD LCD TV Panel Total Cost Structure (Left) & Materials Cost Structure (Right)



Source: [Quarterly TFT LCD Cost Forecast Reports with Annual and Quarterly Projections](#)

By DisplaySearch's definition, cash cost includes the yielded Bill of Materials (BOM) costs, labor costs and indirect expenses. The manufacturing cost is the sum of cash cost and depreciation. And the total cost (break-even point) is the sum of manufacturing costs and SG&A (Sales, General and Administration Expense).

DisplaySearch's [Quarterly TFT LCD Cost Forecast Reports with Annual and Quarterly Projections](#) is a comprehensive and exclusive compilation of large-area TFT LCD cost data from DisplaySearch's cost model, industry sources, along with insightful analysis of the state of the TFT LCD cost structure. It also provides the forecast for the next five years.

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