LG Display Co., Ltd.
Form 20-F
April 30, 2012
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**As filed with the Securities and Exchange Commission on April 30, 2012**

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

# FORM 20-F

**(Mark One)**

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2011

**OR**

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report

For the transition period from to

Commission file number 1-32238

# LG Display Co., Ltd.

**(Exact name of Registrant as specified in its charter)**

**LG Display Co., Ltd.**

**(Translation of Registrant s name into English)**

**The Republic of Korea**

**(Jurisdiction of incorporation or organization)**

**LG Twin Towers, 128 Yeoui-daero, Yeongdeungpo-gu, Seoul 150-721, Republic of Korea**

**(Address of principal executive offices)**

**Suk Heo**

**LG Twin Towers, 128 Yeoui-daero, Yeongdeungpo-gu, Seoul 150-721, Republic of Korea**

**Telephone No.: +82-2-3777-0978**

**Facsimile No.: +82-2-3777-0797**

**(Name, telephone, e-mail and/or facsimile number and address of company contact person)**

Securities registered or to be registered pursuant to Section 12(b) of the Act.

| **Title of each class** | **Name of each exchange on which registered** |
|---|---|
| American Depositary Shares, each representing one-half of one share of Common Stock | New York Stock Exchange |
| Common Stock, par value (Won)5,000 per share | New York Stock Exchange* |

* Not for trading, but only in connection with the registration of the American Depositary Shares.

**Securities registered or to be registered pursuant to Section 12(g) of the Act.**

**None**

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.**

**None**

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

**357,815,700 shares of common stock, par value (Won)5,000 per share**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. x **Yes** ¨ **No**

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934. ¨ Yes x No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ¨ Yes ¨ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

| U.S. GAAP ¨ | International Financial Reporting Standards as issued by the International Accounting Standards Board x | Other ¨ |
|---|---|---|

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. ¨ Item 17 ¨ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes x No

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**PRESENTATION OF FINANCIAL AND OTHER INFORMATION**

In this annual report, the terms we, us, our and LG Display refer to LG Display Co., Ltd. and, unless otherwise indicated or required by context our consolidated subsidiaries. Notwithstanding the foregoing, in the context of any legal proceedings or governmental investigations, LG Display refers to LG Display Co., Ltd. and does not include any of its subsidiaries, or any other entities or persons.

The financial statements included in this annual report are prepared in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB. As such, we make an explicit and unreserved statement of compliance with IFRS, as issued by the IASB, with respect to our consolidated financial statements as of December 31, 2009, 2010 and 2011 and for each of the years ended in the three-year period ended December 31, 2011 included in this annual report.

In accordance with rule amendments adopted by the U.S. Securities and Exchange Commission, or the SEC, which became effective on March 4, 2008, we are not required to provide a reconciliation to generally accepted accounting principles in the United States, or U.S. GAAP.

The consolidated financial statements included in our annual reports on Form 20-F previously filed with the SEC in respect of the years ended December 31, 2009, 2008, 2007, 2006, 2005 and 2004 were prepared in accordance with U.S. GAAP. For additional information, please refer to our annual reports on Form 20-F previously filed with the SEC.

Unless expressly stated otherwise, all financial data included in this annual report are presented on a consolidated basis.

All references to Korean Won, Won or (Won) in this annual report are to the currency of the Republic of Korea, all references to U.S. dollars or US$ are to the currency of the United States, all references to Japanese Yen, Yen or ¥ are to the currency of Japan, all references to RMB or Chinese Renminbi are to the currency of the People s Republic of China, all references to NT$ are to the currency of Taiwan, all references to Euro or are to the official currency of the European Economic and Monetary Union, all references to PLN are to the currency of the Republic of Poland, all references to MXN are to the currency of Mexico, and all references to SG$ are to the currency of Singapore.

Any discrepancies in any table between the totals and the sums of the amounts listed are due to rounding.

For your convenience, this annual report contains translations of Won amounts into U.S. dollars at the noon buying rate in New York City for cable transfers in Korean Won as certified by the Federal Reserve Bank of New York for customs purposes in effect on December 30, 2011, which was (Won)1,158.50 = US$1.00.

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## FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this annual report. Our forward-looking statements contain information regarding, among other things, our financial condition, future plans and business strategy. Words such as contemplate, seek to, anticipate, believe, estimate, expect intend, plan and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect management s present expectations and projections about future events and are not a guarantee of future performance. Although we believe that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties and assumptions about us, including, among other things:

- the cyclical nature of our industry;
- our dependence on introducing new products on a timely basis;
- our dependence on growth in the demand for our products;
- our ability to compete effectively;
- our dependence on a select group of key customers;
- our ability to successfully expand our capacity;
- our dependence on key personnel;
- general economic and political conditions, including those related to the display panel industry;
- possible disruptions in commercial activities caused by events such as natural disasters, terrorist activity and armed conflict;
- fluctuations in foreign currency exchange rates; and
- those other risks identified in the Risk Factors section of this annual report.

Except as required by law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the events discussed in the forward-looking statements in this annual report might not occur and our actual results could differ materially from those anticipated in these forward-looking statements.

All subsequent forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

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# PART I

### Item 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

### Item 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

### Item 3. KEY INFORMATION

### Item 3.A. *Selected Financial Data*

You should read the selected consolidated financial data below in conjunction with our audited consolidated financial statements as of December 31, 2009, 2010 and 2011 and for each of the years in the three-year period ended December 31, 2011, and the related notes included in this annual report. These audited financial statements and the related notes have been prepared under IFRS as issued by the IASB. The selected consolidated financial data for the three years ended December 31, 2011 have been derived from our audited consolidated financial statements.

In accordance with rule amendments adopted by the SEC which became effective on March 4, 2008, we are not required to provide a reconciliation to U.S. GAAP.

The information set forth below is not necessarily indicative of the results of future operations and should be read in conjunction with Item 5. Operating and Financial Review and Prospects and our consolidated financial statements and related notes included in this annual report.

**Consolidated statements of comprehensive income (loss) data**

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | **2009** | **2010** | **2011** | **2011** [7] |
| | (in billions of Won, except for per share data) | | | (in millions of US$, except for per share data) |
| Revenue | (Won) 20,038 | (Won) 25,512 | (Won) 24,291 | US$ 20,968 |
| Cost of sales | (17,477) | (21,781) | (23,081) | (19,923) |
| Gross profit | 2,561 | 3,731 | 1,210 | 1,044 |
| Selling expenses | (713) | (846) | (728) | (628) |
| Administrative expenses | (325) | (521) | (564) | (487) |
| Research and development expenses | (408) | (675) | (681) | (588) |
| Results from operating activities | 1,010 | 1,310 | (924) | (798) |
| Profit (loss) before income tax | 1,013 | 1,266 | (1,081) | (933) |
| Income tax expense (benefit) | (105) | 106 | (293) | (253) |
| Profit (loss) for the period | 1,118 | 1,159 | (788) | (680) |
| Total comprehensive income (loss) for the period | 1,051 | 1,178 | (757) | (653) |
| Basic earnings (loss) per share | 3,124 | 3,232 | (2,155) | (1.86) |
| Diluted earnings (loss) per share | 3,124 | 3,152 | (2,155) | (1.86) |

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**Consolidated statements of financial position data**

| | As of December 31, | | | |
|---|---|---|---|---|
| | 2009 | 2010 (in billions of Won) | 2011 | 2011 [7] (in millions of US$) |
| Cash and cash equivalents | (Won) 818 | (Won) 1,631 | (Won) 1,518 | US$ 1,310 |
| Deposits in banks | 2,500 | 1,503 | 815 | 703 |
| Trade accounts and notes receivable, net | 2,950 | 3,001 | 2,740 | 2,365 |
| Inventories | 1,668 | 2,215 | 2,317 | 2,000 |
| Total current assets | 8,226 | 8,840 | 7,858 | 6,783 |
| Property, plant and equipment, net | 9,596 | 12,815 | 14,697 | 12,686 |
| Total assets | 19,703 | 23,858 | 25,163 | 21,720 |
| Trade accounts and notes payable | 2,031 | 2,962 | 3,783 | 3,265 |
| Current financial liabilities | 2,007 | 2,101 | 895 | 773 |
| Other accounts payable | 1,596 | 2,593 | 3,993 | 3,447 |
| Total current liabilities | 6,495 | 8,882 | 9,911 | 8,555 |
| Non-current financial liabilities | 2,076 | 2,543 | 3,722 | 3,213 |
| Long-term advance received | 584 | 945 | 669 | 577 |
| Total liabilities | 9,663 | 12,797 | 15,032 | 12,975 |
| Share capital and share premium | 4,040 | 4,040 | 4,040 | 3,487 |
| Retained earnings | 6,051 | 7,031 | 6,063 | 5,233 |
| Total equity | 10,040 | 11,061 | 10,131 | 8,745 |

**Other financial data**

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2009 | 2010 (in billions of Won, except for percentages) | 2011 | 2011 [7] (in millions of US$, except for percentages) |
| Gross margin [1] | 12.8% | 14.6% | 5.0% | 5.0% |
| Operating margin [2] | 5.0% | 5.1% | (3.8)% | (3.8)% |
| Net margin [3] | 5.6% | 4.5% | (3.2)% | (3.2)% |
| EBITDA [4] | (Won) 3,852 | (Won) 4,236 | (Won) 2,727 | US$ 2,354 |
| Capital expenditures | 3,761 | 4,942 | 4,063 | 3,507 |
| Depreciation and amortization [5] | 2,842 | 2,926 | 3,651 | 3,151 |
| Net cash provided by operating activities [6] | 4,153 | 4,884 | 3,666 | 3,164 |
| Net cash used in investing activities | (4,564) | (4,515) | (3,494) | (3,016) |
| Net cash provided by (used in) financing activities | (117) | 408 | (278) | (240) |

(1) Gross margin represents gross profit (loss) divided by revenue.
(2) Operating margin represents results from operating activities divided by revenue.
(3) Net margin represents profit (loss) for the period divided by revenue.

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(4) EBITDA is defined as profit (loss) for the period (x) plus finance costs (income), other non-operating loss, net, income tax expense (benefit), depreciation and amortization of intangible assets and (y) minus equity income on investments, net. EBITDA is a key financial measure used by our senior management to internally evaluate the performance of our business and for other required or discretionary purposes. Specifically, our significant capital assets are in different stages of depreciation, and because we do not have separate operating divisions, our senior management uses EBITDA internally to measure the performance of these assets on a comparable basis. We also believe that the presentation of EBITDA will enhance an investor s understanding of our operating performance as we believe it is commonly reported and widely used by analysts and investors in our industry. It also provides useful information for comparison on a more comparable basis of our operating performance and those of our competitors, who follow different accounting policies. For example, depreciation on most of our equipment is made based on a four-year useful life while most of our competitors use different depreciation schedules from our own. EBITDA is not a measure determined in accordance with IFRS. EBITDA should not be considered as an alternative to results of operating activities, cash flows from operating activities or profit (loss) for the period, as determined in accordance with IFRS. Our calculation of EBITDA may not be comparable to similarly titled measures reported by other companies. A reconciliation of profit (loss) for the period to EBITDA is as follows:

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2011 [7] |
| | (in billions of Won) | | | (in millions of US$) |
| **Profit (loss) for the period** | (Won) 1,118 | (Won) 1,159 | (Won) (788) | US$ (680) |
| Finance income | (333) | (241) | (207) | (179) |
| Finance costs | 344 | 288 | 363 | 313 |
| Other non-operating loss, net | 6 | 16 | 17 | 15 |
| Equity income on investments, net | (20) | (18) | (16) | (14) |
| Income tax expense (benefit) | (105) | 106 | (293) | (253) |
| Depreciation | 2,779 | 2,757 | 3,413 | 2,946 |
| Amortization of intangible assets | 63 | 169 | 238 | 205 |
| **EBITDA** | (Won) 3,852 | (Won) 4,236 | (Won) 2,727 | US$ 2,354 |

(5) Includes amortization of intangible assets.
(6) Effect of exchange rate change on cash and cash equivalents has been excluded from net cash provided by operating activities.
(7) For convenience, the Korean Won amounts are expressed in U.S. dollars at the rate of (Won)1,158.50 to US$1.00, the noon buying rate in effect on December 30, 2011 as certified by the Federal Reserve Bank of New York for customs purposes. This translation should not be construed as a representation that the Korean Won amounts represent, have been or could be converted to U.S. dollars at that rate or any other rate.

**Operating data**

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2009 | 2010 | 2011 |
| | (in thousands) | | |
| Number of panels sold by product category: | | | |
| Televisions [1] | 35,316 | 51,184 | 53,084 |
| Notebook computers [2] | 50,632 | 70,124 | 90,577 |
| Desktop monitors [3] | 43,384 | 49,336 | 50,247 |
| Mobile and other applications [4] | 161,804 | 188,798 | 172,688 |
| Total | 291,136 | 359,442 | 366,596 |

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| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2011 [5] |
| | (in billions of Won) | | | (in millions of US$) |
| Revenue by product category: | | | | |
| Televisions [1] | (Won) 10,965 | (Won) 14,079 | (Won) 11,579 | US$ 9,995 |
| Notebook computers [2] | 3,568 | 4,424 | 5,120 | 4,420 |
| Desktop monitors [3] | 4,640 | 5,390 | 4,975 | 4,294 |
| Mobile and other applications [4] | 816 | 1,575 | 2,540 | 2,192 |
| Total sales of goods | (Won) 19,989 | (Won) 25,468 | (Won) 24,214 | US$ 20,901 |
| Royalties | 22 | 23 | 61 | 53 |
| Others | 27 | 21 | 16 | 14 |
| Revenue | (Won) 20,038 | (Won) 25,512 | (Won) 24,291 | US$ 20,968 |

(1) Includes television sets manufactured and sold by our joint venture company, L&T Display Technology (Xiamen) Limited.

(2) Includes panels for certain types of tablet personal computers, as well as semi-finished products manufactured by LUCOM Display Technology (Kunshan) Ltd.

(3) Includes desktop monitors manufactured and sold by our joint venture company, L&T Display Technology (Fujian) Limited.

(4) Includes, among others, panels for handheld application products, including smartphones and other mobile phones, certain types of tablet personal computers, and industrial and other applications, including entertainment systems, automotives, portable navigation devices, e-books, digital photo displays and medical diagnostic equipment.

(5) For convenience, the Korean Won amounts are expressed in U.S. dollars at the rate of (Won)1,158.50 to US$1.00, the noon buying rate in effect on December 30, 2011 as certified by the Federal Reserve Bank of New York for customs purposes. This translation should not be construed as a representation that the Korean Won amounts represent, have been or could be converted to U.S. dollars at that rate or any other rate.

**Exchange Rates**

The table below sets forth, for the periods and dates indicated, information concerning the noon buying rate for Korean Won, expressed in Korean Won per one U.S. dollar. The noon buying rate is the rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York. Unless otherwise stated, translations of Korean Won amounts into U.S. dollars in this annual report were made at the noon buying rate in effect on December 30, 2011, which was (Won)1,158.50 to US$1.00. We do not intend to imply that the Korean Won or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Korean Won, as the case may be, at any particular rate, or at all. On April 20, 2012, the noon buying rate was (Won)1,138.10 = US$1.00.

Fluctuation in the exchange rate between the Korean Won and the U.S. dollar will affect the amount of U.S. dollars received in respect of cash dividends or other distributions paid in Korean Won by us on, and the Korean Won proceeds received from any sales of, our common stock.

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| Year Ended December 31, | At End of Period | Average Rate[1] | High | Low |
|---|---|---|---|---|
| | | (Korean Won per US$1.00) | | |
| 2007 | (Won) 935.8 | (Won) 928.0 | (Won) 950.2 | (Won) 903.2 |
| 2008 | 1,262.0 | 1,105.8 | 1,507.9 | 935.2 |
| 2009 | 1,163.7 | 1,270.0 | 1,570.1 | 1,149.0 |
| 2010 | 1,130.6 | 1,158.7 | 1,253.2 | 1,104.0 |
| 2011 | 1,158.5 | 1,105.2 | 1,197.5 | 1,049.2 |
| October | 1,112.1 | 1,150.7 | 1,197.5 | 1,102.5 |
| November | 1,140.1 | 1,133.5 | 1,162.0 | 1,110.6 |
| December | 1,158.5 | 1,148.1 | 1,175.5 | 1,149.0 |
| 2012 (through April 20) | 1,138.1 | 1,130.6 | 1,160.0 | 1,115.7 |
| January | 1,128.0 | 1,141.1 | 1,160.0 | 1,120.1 |
| February | 1,117.1 | 1,122.7 | 1,128.9 | 1,115.7 |
| March | 1,131.4 | 1,126.2 | 1,139.8 | 1,116.0 |
| April (through April 20) | 1,138.1 | 1,134.8 | 1,143.4 | 1,122.4 |

(1) The average rate for each full year is calculated as the average of the noon buying rates on the last business day of each month during the relevant year. The average rate for a full month (or portion thereof) is calculated as the average of the noon buying rates on each business day during the relevant month (or portion thereof).

**Item 3.B.** ***Capitalization and Indebtedness***

Not applicable.

**Item 3.C.** ***Reasons for the Offer and Use of Proceeds***

Not applicable.

**Item 3.D.** ***Risk Factors***

You should carefully consider the risks described below.

**Risks Relating to Our Industry**

***Our industry is subject to cyclical fluctuations, including recurring periods of capacity increases, that may adversely affect our results of operations.***

Display panel manufacturers are vulnerable to cyclical market conditions. Intense competition and expectations of growth in demand across the industry may cause display panel manufacturers to make additional investments in manufacturing capacity on similar schedules, resulting in a surge in capacity when production is ramped up at new fabrication facilities. During such surges in capacity growth, as evidenced by past experiences, our customers can exert strong downward pricing pressure, resulting in sharp declines in average selling prices and significant fluctuations in the panel manufacturers gross margins. Conversely, demand surges and fluctuations in the supply chain can lead to price increases. In recent years, there has been a general decline in the average selling price of our display panels. For example, our average revenue per square meter of net display area, which is derived by dividing our total revenue by total square meters of net display area shipped, decreased by 2.9% from US$834 per square meter of net display area in 2009 to US$810 in 2010. In 2011, our average revenue per square meter of net display area shipped further decreased by 16.2% to US$679, resulting mainly from strong downward pressure on the average selling price of our display panels in 2011 which in turn was due in large part to overcapacity in the TFT-LCD industry relative to the demand for such panels, which was negatively impacted by the global economic difficulties in 2011.

Our gross margin has also fluctuated from period to period, from 12.8% in 2009 to 14.6% in 2010 and 5.0% in 2011. Principal factors affecting our gross margin include declines in the average selling prices of our display panels, as well as our ability to maintain or increase unit sales volume and market share, minimize the impact of fluctuations in prices and foreign exchange rates and the supply and demand for principal components and raw materials, reduce unit manufacturing costs and introduce new products with higher margins in a timely manner. In 2011, in particular, a decline in the average selling price of our display panels due to downward price pressure affecting TFT-LCD products generally, which in turn resulted from overcapacity in the industry relative to the demand for such products, and the appreciation of the Korean Won against the U.S. dollar contributed to a sharp decrease in our gross margin as compared to 2010. We have reduced utilization rates of our existing fabrication facilities in response to market conditions starting in July 2010 and have been fine-tuning our growth strategies in light of our assessment of future market conditions, and there have been indications that the industry as a whole has been responding similarly. However, construction of new fabrication facilities and other capacity expansion projects in the display panel industry are undertaken with a multiple-year time horizon based on expectations of future market trends. Therefore, there may be continued capacity expansion in the near future due to pre-committed capacity expansion projects in the industry that were undertaken in past years. Any significant industry-wide capacity increases that are not accompanied by a sufficient increase in demand could further drive down the average selling price of our panels, which would negatively affect our gross margin. Since the end of 2011, there has been a modest increase in industry-wide demand for display products, resulting primarily from channel inventory replenishment, in response to which we have been adjusting our utilization rates to meet the increase in demand. However, we cannot provide any assurance that the recent increase in demand reflects any improvement in general market conditions for display panels or that it can be sustained. Any decline in prices may be further compounded by a seasonal weakening in demand growth for end products such as personal computer products, consumer electronics products and mobile and other application products. We cannot provide assurance that any future downturns resulting from any large increases in capacity or other factors affecting the industry would not have a material adverse effect on our business, financial condition and results of operations.

***A global economic downturn may result in reduced demand for our products and adversely affect our profitability.***

In recent years, difficulties affecting the global financial sectors, adverse conditions and volatility in the worldwide credit and financial markets, fluctuations in oil and commodity prices and the general weakness of the global economy have increased the uncertainty of global economic prospects in general and have adversely affected the global and Korean economies. The recent global economic downturn has adversely affected demand for consumer products manufactured by our customers in Korea and overseas, including televisions, notebook computers, desktop monitors and mobile and other application products utilizing TFT-LCD panels, which in turn led them to reduce or plan reductions of their production beginning in the fourth quarter of 2008. Partly in response to such weak demand, we reduced our TFT-LCD production from July 2008 to February 2009. Although demand for our products, as measured by the number of panels sold, started to recover in the second half of 2009 and generally remained strong in 2010, the renewed global economic difficulties in 2011 contributed to another decline in demand for our products in 2011. While there has been a modest increase in demand for our products in recent months since the end of 2011 resulting primarily from channel inventory replenishment, we cannot provide any assurance that this will lead to a sustained recovery in demand for our products or, even if demand for our products recovers, that the demand for our products will not decrease again in the future due to another such economic downturn which may adversely affect our profitability. We may decide to adjust our production levels in the future subject to market demand for our products, the production outlook of the global display panel industry, in particular, the TFT-LCD industry, and global economic conditions in general. Any decline in demand for display panel products may adversely affect our business, results of operations and/or financial condition.

***Our industry continues to experience steady declines in the average selling prices of display panels irrespective of cyclical fluctuations in the industry, and our margins would be adversely impacted if prices decrease faster than we are able to reduce our costs.***

The average selling prices of display panels have declined in general and are expected to continually decline with time irrespective of industry-wide cyclical fluctuations as a result of, among other factors, technological advancements and cost reductions. Although we may be able to take advantage of the higher selling prices typically associated with new products and technologies when they are first introduced in the market, such prices decline over time, and in certain cases, very rapidly, as a result of market competition or otherwise. If we are unable to effectively anticipate and counter the price erosion that accompanies our products, or if the average selling prices of our display panels decrease faster than the speed at which we are able to reduce our manufacturing costs, our gross margin would decrease and our results of operations and financial condition may be materially and adversely affected.

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***We operate in a highly competitive environment and we may not be able to sustain our current market position.***

The display panel industry is highly competitive. We have experienced pressure on the prices and margins of our major products due largely to additional industry capacity from panel makers in Korea, Taiwan, China and Japan. Our main competitors in the industry include Samsung Display (which was recently spun off from Samsung Electronics), Samsung Mobile Display, InfoVision Optoelectronics, Hydis Technologies, AU Optronics, Chimei Innolux, Chunghwa Picture Tubes, HannStar Display, SVA-NEC, Beijing BOE Optronics Technology, Japan Display (which was recently created by integrating the LCD panel businesses of Hitachi and TMDisplay, as well as certain businesses of Sony Mobile Display), Sharp, Mitsubishi and Panasonic LCD. Some of our competitors may currently, or at some point in the future, have greater financial, sales and marketing, manufacturing, research and development or technological resources than we do. In addition, our competitors may be able to manufacture panels on a larger scale or with greater cost efficiencies than we do and we anticipate increases in production capacity in the future by other display panel manufacturers using similar display panel technologies as us. Any price erosion resulting from strong global competition or additional industry capacity may materially adversely affect our financial condition and results of operations.

In addition, industry consolidation among our competitors may result in increased competition as the entities emerging from such consolidation may have greater financial, manufacturing, research and development and other resources than we do, especially if such mergers or consolidations are sponsored by a government entity. Increased competition resulting from such mergers or consolidations may lead to decreased margins, which may have a material adverse effect on our financial condition and results of operations.

We and our competitors each seek to establish our own products as the industry standards. For example, in the growing large-sized television panel market, we currently manufacture primarily 32-inch, 37-inch, 42-inch, 47-inch and 55-inch television panels. Other display panel manufacturers produce competing large-sized television panels in slightly different dimensions. If our competitors panels become the standard market size, we may lose market share, which may have a material adverse effect on our financial condition and results of operations.

Our ability to compete successfully also depends on factors both within and outside our control, including product pricing, performance and reliability, our relationship with customers, successful and timely investment and product development, success or failure of our end-brand customers in marketing their brands and products, component and raw material supply costs, and general economic and industry conditions. We cannot provide assurance that we will be able to maintain a competitive edge with respect to all these factors and, as a result, we may be unable to sustain our current market **Cash and**

**Cash**

**Equivalents Short-term**
**Investments**

Money market funds

$485 $ $ $485 $485 $

Bank certificate of deposit

1,014 1,014 1,014

| Total | | | | | |
|---|---|---|---|---|---|
| $1,499 | $ | $ | $1,499 | $485 | $1,014 |

As of March 31, 2011 and September 30, 2011, the Company s financial assets described in the table above were measured at cost (level 1 inputs).

The Company s certificate of deposit is pledged as security for an equipment lease.

***Fair Value of Financial Instruments***

The carrying amounts of the Company s financial instruments, which include cash and cash equivalents, investments, accounts receivable, accounts payable and accrued liabilities approximate their respective fair values due to the relatively short-term nature of these instruments. Based upon interest rates currently available to the Company for debt with similar terms, the carrying value of the Company s long-term debt is also approximately equal to its fair value. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. GAAP describes a fair value hierarchy based on the following three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value:

Level 1 Valuations are based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Valuations are based on quoted prices for similar assets or liabilities in active markets, or quoted prices in markets that are not active for which significant inputs are observable, either directly or indirectly.

Level 3 Valuations are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Inputs reflect management s best estimate of what market participants would use in valuing the asset or liability at the measurement date.

***Accounts Receivable***

The majority of the Company s accounts receivable are due from companies in the commercial, industrial and agricultural industries, as well as from wholesalers. Credit is extended based on an evaluation of a customer s financial condition. Generally, collateral is not required for end users; however, the payment of certain trade accounts receivable from wholesalers is secured by irrevocable standby letters of credit. Accounts receivable are due within 30-60 days. Accounts receivable are stated at the amount the Company expects to collect from outstanding balances. The Company provides for probable uncollectible amounts through a charge to earnings and a credit to an allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after the Company has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable.

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***Financing Receivables***

The Company considers its lease balances included in consolidated current and long-term accounts receivable from its Orion Throughput Agreement, or OTA, sales-type leases to be financing receivables. Additional disclosures on the credit quality of the Company s OTA receivables included in accounts receivable are as follows:

*Aging Analysis as of September 30, 2011 (in thousands):*

| | Not Past Due | 1-90 days past due | Greater than 90 days past due | Total past due | Total sales-type leases |
|---|---|---|---|---|---|
| Lease balances included in consolidated accounts receivable - current | $ 2,659 | $ 22 | $ 21 | $ 43 | $ 2,702 |
| Lease balances included in consolidated accounts receivable - long-term | 5,442 | | | | 5,442 |
| Total gross sales-type leases | 8,101 | 22 | 21 | 43 | 8,144 |
| Allowance | | | (7) | (7) | (7) |
| Total net sales-type leases | $ 8,101 | $ 22 | $ 14 | $ 36 | $ 8,137 |

*Allowance for Credit Losses*

The Company s allowance for credit losses is based on management s assessment of the collectability of customer accounts. A considerable amount of judgment is required in order to make this assessment, including a detailed analysis of the aging of the lease receivables and the current credit worthiness of the Company s customers and an analysis of historical bad debts and other adjustments. If there is a deterioration of a major customer s credit worthiness or if actual defaults are higher than historical experience, the estimate of the recoverability of amounts due could be adversely affected. The Company reviews in detail the allowance for doubtful accounts on a quarterly basis and adjusts the allowance estimate to reflect actual portfolio performance and any changes in future portfolio performance expectations. The Company believes that there is no impairment of the receivables for the sales-type leases. The Company did not incur any provision write-offs or credit losses against its OTA sales-type lease receivable balances in either fiscal 2011 or for the six months ended September 30, 2011.

***Inventories***

Inventories consist of raw materials and components, such as ballasts, metal sheet and coil stock and molded parts; work in process inventories, such as frames and reflectors; and finished goods, including completed fixtures and systems, and wireless energy management systems and accessories, such as lamps, meters and power supplies. All inventories are stated at the lower of cost or market value with cost determined using the first-in, first-out (FIFO) method. The Company reduces the carrying value of its inventories for differences between the cost and estimated net realizable value, taking into consideration usage in the preceding 12 months, expected demand, and other information indicating obsolescence. The Company records as a charge to cost of product revenue the amount required to reduce the carrying value of inventory to net realizable value. As of March 31, 2011 and September 30, 2011, the Company had inventory obsolescence reserves of $1.3 million and $1.3 million.

Costs associated with the procurement and warehousing of inventories, such as inbound freight charges and purchasing and receiving costs, are also included in cost of product revenue.

Inventories were comprised of the following (in thousands):

| | March 31, 2011 | September 30, 2011 (As Restated) |
|---|---|---|

| | | |
|---|---|---|
| Raw materials and components | $ 12,005 | $ 12,347 |
| Work in process | 459 | 1,103 |
| Finished goods | 3,413 | 5,654 |
| | $ 15,877 | $ 19,104 |

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***Deferred Contract Costs***

Deferred contract costs consist primarily of the costs of products delivered, and services performed, that are subject to additional performance obligations or customer acceptance. These deferred contract costs are expensed at the time the related revenue is recognized. Current deferred costs amounted to $9.6 million and $2.9 million as of March 31, 2011 and September 30, 2011, respectively.

***Prepaid Expenses and Other Current Assets***

Prepaid expenses and other current assets consist primarily of prepaid insurance premiums, prepaid license fees, purchase deposits, advance payments to contractors, advance commission payments, and miscellaneous receivables.

***Property and Equipment***

Property and equipment were comprised of the following (in thousands):

| | March 31, 2011 | September 30, 2011 |
|---|---|---|
| Land and land improvements | $ 1,474 | $ 1,489 |
| Buildings | 15,104 | 15,170 |
| Furniture, fixtures and office equipment | 8,323 | 10,613 |
| Leasehold improvements | 9 | 54 |
| Equipment leased to customers under Power Purchase Agreements | 4,994 | 4,997 |
| Plant equipment | 8,067 | 8,461 |
| Construction in progress | 2,272 | 1,411 |
| | 40,243 | 42,195 |
| Less: accumulated depreciation and amortization | (10,226) | (11,962) |
| Net property and equipment | $ 30,017 | $ 30,233 |

Depreciation is provided over the estimated useful lives of the respective assets, using the straight-line method. Depreciable lives by asset category are as follows:

| | |
|---|---|
| Land improvements | 10 15 years |
| Buildings | 10 39 years |
| Leasehold improvements | Shorter of asset life or life of lease |
| Furniture, fixtures and office equipment | 2 10 years |
| Plant equipment | 3 10 years |

***Patents and Licenses***

Patents and licenses are amortized over their estimated useful life, ranging from 7 to 17 years, using the straight line method.

***Long-Term Receivables***

The Company records a long-term receivable for the non-current portion of its sales-type capital lease OTA contracts. The receivable is recorded at the net present value of the future cash flows from scheduled customer payments. The Company uses the implied cost of capital from each individual contract as the discount rate. Long-term receivables from OTA contracts were $5.4 million as of September 30, 2011.

Also included in other long-term receivables are amounts due from a third party finance company to which the Company has sold, without recourse, the future cash flows from OTAs entered into with customers. Such receivables are recorded at the present value of the future cash

flows discounted between 8.8% and 11%. As of September 30, 2011, the following amounts were due from the third party finance company in future periods (in thousands):

| | |
|---|---|
| Fiscal 2013 | $ 955 |
| Fiscal 2014 | 1,015 |
| Fiscal 2015 | 958 |
| Fiscal 2016 | 310 |
| Fiscal 2017 | 9 |
| Total gross long-term receivable | 3,247 |
| Less: amount representing interest | (690) |
| Net long-term receivable | $ 2,557 |

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***Long-Term Inventories***

The Company records long-term inventory for the non-current portion of its wireless controls inventory. All inventories are stated at the lower of cost or market value with cost determined using the first-in, first-out (FIFO) method.

***Other Long-Term Assets***

Other long-term assets include long-term security deposits, prepaid licensing costs and deferred financing costs. Other long-term assets include $55,000 and $152,000 of deferred financing costs as of March 31, 2011 and September 30, 2011. Deferred financing costs related to debt issuances are amortized to interest expense over the life of the related debt issue (2 to 10 years).

***Accrued Expenses***

Accrued expenses include warranty accruals, accrued wages and benefits, accrued vacation, sales tax payable and other various unpaid expenses. No accrued expenses exceeded 5% of current liabilities as of either March 31, 2011, or September 30, 2011.

The Company generally offers a limited warranty of one year on its products in addition to those standard warranties offered by major original equipment component manufacturers. The manufacturers warranties cover lamps and ballasts, which are significant components in the Company s products.

Changes in the Company s warranty accrual were as follows (in thousands):

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|---|---|---|---|
| | 2010 | 2011 | 2010 | 2011 |
| Beginning of period | $ 59 | $ 59 | $ 60 | $ 59 |
| Provision to product cost of revenue | 27 | 28 | 75 | 59 |
| Charges | (27) | (22) | (76) | (53) |
| End of period | $ 59 | $ 65 | $ 59 | $ 65 |

***Revenue Recognition***

The Company offers a financing program, called an OTA, for a customer s lease of the Company s energy management systems. The OTA is structured as a sales-type capital lease and upon successful installation of the system and customer acknowledgement that the system is operating as specified, product revenue is recognized at the Company s net investment in the lease which typically is the net present value of the future cash flows.

The Company offers a separate program called a Power Purchase Agreement, or PPA, for the Company s renewable energy product offerings. A PPA is a supply side agreement for the generation of electricity and subsequent sale to the end user. Upon the customer s acknowledgement that the system is operating as specified, product revenue is recognized on a monthly basis over the life of the PPA contract, typically in excess of 10 years.

For sales of solar photovoltaic systems, which are governed by customer contracts that require the Company to deliver functioning solar power systems and are generally completed within three to 15 months, the Company recognizes revenue from fixed price construction contracts using the percentage-of-completion method in accordance with ASC 605-35, Construction-Type and Production-Type Contracts. Under this method, revenue arising from fixed price construction contracts is recognized as work is performed based upon the percentage of incurred costs to estimated total forecasted costs. The Company has determined that the appropriate method of measuring progress on these sales is measured by the percentage of costs incurred to date of the total estimated costs for each contract as materials are installed. The percentage-of-completion method requires revenue recognition from the delivery of products to be deferred and the cost of such products to be capitalized as a deferred cost and current asset on the balance sheet. The Company performs periodic evaluations of the progress of the installation of the solar photovoltaic systems using actual costs incurred over total estimated costs to complete a project. Provisions for estimated losses on uncompleted contracts, if any, are recognized in the period in which the loss first becomes probable and reasonably estimable.

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Revenue is recognized on the sales of our lighting and related energy efficiency systems and products when the following four criteria are met:

- persuasive evidence of an arrangement exists;
- delivery has occurred and title has passed to the customer;
- the sales price is fixed and determinable and no further obligation exists; and
- collectability is reasonably assured

These four criteria are met for the Company s product-only revenue upon delivery of the product and title passing to the customer. At that time, the Company provides for estimated costs that may be incurred for product warranties and sales returns. Revenues are presented net of sales tax and other sales related taxes.

For sales of the Company s lighting and energy management technologies, consisting of multiple elements of revenue, such as a combination of product sales and services, the Company determines revenue by allocating the total contract revenue to each element based on their relative selling prices. In such circumstances, the Company uses a hierarchy to determine the selling price to be used for allocating revenue to deliverables: (1) vendor-specific objective evidence (VSOE) of fair value, if available, (2) third-party evidence (TPE) of selling price if VSOE is not available, and (3) best estimate of the selling price if neither VSOE nor TPE is available (a description as to how the Company determined VSOE, TPE and estimated selling price is provided below).

The nature of the Company s multiple element arrangements for the sale of its lighting and energy management technologies is similar to a construction project, with materials being delivered and contracting and project management activities occurring according to an installation schedule. The significant deliverables include the shipment of products and related transfer of title and the installation.

To determine the selling price in multiple-element arrangements, the Company established VSOE of the selling price for its HIF lighting and energy management system products using the price charged for a deliverable when sold separately. In addition, the Company records in service revenue the selling price for its installation and recycling services using management s best estimate of selling price, as VSOE or TPE evidence does not exist. Service revenue is recognized when services are completed and customer acceptance has been received. Recycling services provided in connection with installation entail the disposal of the customer s legacy lighting fixtures. The Company s service revenues, other than for installation and recycling that are completed prior to delivery of the product, are included in product revenue using management s best estimate of selling price, as VSOE or TPE evidence does not exist. These services include comprehensive site assessment, site field verification, utility incentive and government subsidy management, engineering design, and project management. For these services and for installation and recycling services, management s best estimate of selling price is determined by considering several external and internal factors including, but not limited to, pricing practices, margin objectives, competition, geographies in which the Company offers its products and services and internal costs. The determination of estimated selling price is made through consultation with and approval by management, taking into account all of the preceding factors.

Deferred revenue relates to advance customer billings, investment tax grants received related to PPAs and a separate obligation to provide maintenance on OTAs and is classified as a liability on the Balance Sheet. The fair value of the maintenance is readily determinable based upon pricing from third-party vendors. Deferred revenue related to maintenance services is recognized when the services are delivered, which occurs in excess of a year after the original OTA contract is executed.

Deferred revenue was comprised of the following (in thousands):

| | **March 31, 2011** | **September 30, 2011 (As Restated)** |
|---|---|---|
| Deferred revenue current liability | $ 8,427 | $ 4,681 |

| | | | | |
|---|---|---|---|---|
| Deferred revenue long term liability | | 1,777 | | 1,583 |
| Total deferred revenue | $ | 10,204 | $ | 6,264 |

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***Income Taxes***

The Company recognizes deferred tax assets and liabilities for the future tax consequences of temporary differences between financial reporting and income tax basis of assets and liabilities, measured using the enacted tax rates and laws expected to be in effect when the temporary differences reverse. Deferred income taxes also arise from the future tax benefits of operating loss and tax credit carryforwards. A valuation allowance is established when management determines that it is more likely than not that all or a portion of a deferred tax asset will not be realized.

ASC 740, *Income Taxes*, also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination. The Company has classified the amounts recorded for uncertain tax benefits in the balance sheet as other liabilities (non-current) to the extent that payment is not anticipated within one year. The Company recognizes penalties and interest related to uncertain tax liabilities in income tax expense. Penalties and interest are immaterial and are included in the unrecognized tax benefits.

Deferred tax benefits have not been recognized for income tax effects resulting from the exercise of non-qualified stock options. These benefits will be recognized in the period in which the benefits are realized as a reduction in taxes payable and an increase in additional paid-in capital. For the six months ended September 30, 2010 and 2011, there were none and $0.8 million realized tax benefits from the exercise of stock options.

***Stock Option Plans***

The fair value of each option grant for the three and six months ended September 30, 2010 and 2011 was determined using the assumptions in the following table:

| | **Three months Ended September 30,** | | **Six months Ended September 30,** | |
|---|---|---|---|---|
| | **2010** | **2011** | **2010** | **2011** |
| Weighted average expected term | 8.3 years | 6.8 years | 5.8 years | 5.7 years |
| Risk-free interest rate | 2.24% | 1.64% | 2.25% | 1.83% |
| Expected volatility | 60.0% | 70.0% | 60.0% | 70.0% |
| Expected forfeiture rate | 10.0% | 11.4% | 10.0% | 11.4% |
| Expected dividend yield | 0% | 0% | 0% | 0% |

***Net Income per Common Share***

Basic net income per common share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period and does not consider common stock equivalents.

Diluted net income per common share reflects the dilution that would occur if warrants and employee stock options were exercised. In the computation of diluted net income per common share, the Company uses the treasury stock method for outstanding options and warrants. The effect of net income per common share is calculated based upon the following shares (in thousands except share amounts):

| | **Three months Ended September 30,** | | **Six months Ended September 30,** | |
|---|---|---|---|---|
| | **2010** | **2011 (As Restated)** | **2010** | **2011 (As Restated)** |
| Numerator: | | | | |
| Net income (in thousands) | $ 540 | $ 1,358 | $ 4 | $ 566 |
| Denominator: | | | | |
| Weighted-average common shares outstanding | 22,638,638 | 22,989,502 | 22,581,188 | 22,955,655 |
| Weighted-average effect of assumed conversion of stock options and warrants | 262,952 | 380,018 | 425,879 | 424,720 |
| | 22,901,590 | 23,369,520 | 23,007,067 | 23,380,375 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Weighted-average common shares and common share equivalents outstanding | | | | | | | | |
| Net income per common share: | | | | | | | | |
| Basic | $ | 0.02 | $ | 0.06 | $ | 0.00 | $ | 0.02 |
| Diluted | $ | 0.02 | $ | 0.06 | $ | 0.00 | $ | 0.02 |

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The following table indicates the number of potentially dilutive securities as of the end of each period:

| | September 30, 2010 | September 30, 2011 |
|---|---|---|
| Common stock options | 3,638,252 | 4,018,917 |
| Common stock warrants | 76,240 | 38,980 |
| Total | 3,714,492 | 4,057,897 |

***Concentration of Credit Risk and Other Risks and Uncertainties***

The Company currently depends on one supplier for a number of components necessary for its products, including ballasts and lamps. If the supply of these components were to be disrupted or terminated, or if this supplier were unable to supply the quantities of components required, the Company may have short-term difficulty in locating alternative suppliers at required volumes. Purchases from this supplier accounted for 44% and 10% of total cost of revenue for the three months ended September 30, 2010 and 2011 and 34% and 12% of total cost of revenue for the six months ended September 30, 2010 and 2011.

The Company currently purchases a majority of its solar panels from one supplier for its sales of solar generating systems through its Orion Engineered Systems Division. The Company does have alternative vendor sources for its sale of PV solar generating systems. Purchases from this supplier accounted for 19% and 15% of total cost of revenue for the three months ended September 30, 2010 and 2011 and 15% and 25% of total cost of revenue for the six months ended September 30, 2010 and 2011.

For the three and six months ended September 30, 2010, no customer accounted for more than 10% of revenue. For the three and six months ended September 30, 2011, two customers accounted for 21% of revenue and two customers accounted for 15% and 14%, respectively.

As of March 31, 2011, one customer accounted for 16% of accounts receivable. As of September 30, 2011, no customer accounted for more than 10% of accounts receivable.

***Recent Accounting Pronouncements***

In July 2010, the FASB issued Accounting Standards Update 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses* (ASU 2010-20). ASU 2010-20 requires further disaggregated disclosures that improve financial statement users understanding of (1) the nature of an entity s credit risk associated with its financing receivables and (2) the entity s assessment of that risk in estimating its allowance for credit losses as well as changes in the allowance and the reasons for those changes. The new and amended disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010. The adoption of ASU 2010-20 did not have a significant impact on the Company s consolidated financial statements.

In April, 2011, the FASB issued ASU No. 2011-03 *Transfers and Servicing (Topic 860): Reconsideration of Effective Control for Repurchase Agreements* ( ASU 2011-03 ). ASU No. 2011-03 affects all entities that enter into agreements to transfer financial assets that both entitle and obligate the transferor to repurchase or redeem the financial assets before their maturity. The amendments in ASU 2011-03 remove from the assessment of effective control the criterion relating to the transferor s ability to repurchase or redeem financ