

February 23, 2009

## *LDK Writes Off Its Allegedly 'Unusable' Inventory*

LDK Solar Co., Ltd. (NYSE: LDK \$5.50) issued a release on February 18th stating it expected to report a loss for the fourth quarter, after taking an inventory writedown of \$210 to \$220 million.

In December 2007, asensio.com reported on a controversy surrounding LDK's accounting of its inventories. LDK's former controller, Charley Situ, alleged that the company inflated its inventory figures, and that as much as two-thirds of the inventory was "possibly unusable" raw material.

On December 11, 2007 Manuel P. Asensio sent a letter to LDK's legal counsel who chose the audit committee to investigate the company's inventory following Situ's allegations. The letter discusses irregularities surrounding the investigation. To read the letter, click [here](http://asensio.com/LetterSBT.pdf).

An article in Barron's from February 20th cites an analyst opinion on the recently announced inventory write-down, stating "Were it not for the overhang of this whistle-blowing incident, LDK's \$210 to \$220 million inventory write-down on Wednesday would likely have been accepted as normal in today's market where solar PV wafers are facing rapid price declines. However, investors were quick to notice that the write-down amount matched closely the 'two-thirds' estimate (of the \$350 million inventory balance as of December 31, 2007) that Mr. Situ claimed could be unsuitable."

To read the Barron's article, click [here](http://blogs.barrons.com/techtraderdaily/2009/02/20/ldk-solar-shrs-slide-as-thinkequity-downgrades-to-sell/)