

December 22, 2011

To All Pelco by Schneider Electric Customers:

As you have heard, the hard disk drive (HDD) worldwide supply situation, caused by the disastrous floods in Thailand, threatens to be quite severe. HDD inventories within global supply channels are being depleted. Current global manufacturing capacity is below demand. The situation is expected to continue until component stocks are rebuilt and new manufacturing capacity comes on line, which is expected to be toward the end of 2012.

Rest assured that we are doing everything possible to buffer the impact of this shortage on our customers. However, we have already seen an increase in drive prices by as much as 120%. Indeed, most manufacturers within our industry have already implemented price increases and/or surcharges on HDD products. With excellent pro-active efforts and planning, we have been able to absorb these costs and maintain pricing through 2011. But in light of the continued HDD shortage and the cost increases forecast for 2012, we are now forced to offset these increased costs in the form of a temporary HDD surcharge.

Temporary HDD Surcharge, beginning January 1, 2012

This HDD surcharge applies to all customers in all countries and to all Pelco by Schneider Electric HDD kits and products containing HDDs (based on total storage amount) that ship on or after January 1, 2012.

Out-of-Warranty Repairs

A surcharge will also apply to any HDD replacement/repairs invoiced on/after January 1, 2012.

Attached for your convenience:

- Surcharge Summary tables for new products and out-of-warranty repairs
- SKU/Product list containing detailed surcharge information
- Frequently Asked Questions sheet

Thank you for your patience and understanding as we work to meet this difficult challenge. We are monitoring this situation closely and we will continue to take appropriate action and provide regular updates as needed. As always, maximum customer satisfaction is our top priority. If we can provide additional information or help in any way, please contact your local Pelco by Schneider Electric sales representative, or the factory directly.

Regards,



Herve Fages,
Sr. Vice President,
Global Product Marketing, Buildings Business