

## Global HDD shortage, and temporary surcharge FAQ

### 1 — What caused the global HDD shortage? How bad is it?

The hard disk drive (HDD) worldwide supply situation was caused by disastrous floods in Thailand this summer. Some 80% of the world's hard disk drives and HDD components are manufactured in Thailand. 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.

### 2 — Is this just a Pelco issue? Or just a video security industry issue?

No, this is a global HDD crisis affecting all CCTV Manufacturers, retail, industrial and consumer industries in all countries. Indeed, most manufacturers within our industry have already implemented price increases and/or surcharges on HDD products. We are doing everything possible to buffer the impact of this shortage on our customers.

### 3 — How will this affect Pelco by Schneider Electric customers?

We have already seen an increase in HDD prices by as much as 120%. With excellent pro-active efforts and planning, we have been able to absorb these costs and maintain availability and 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 modest, temporary HDD surcharge.

### 4 — What has Schneider Electric done to counter the effects?

Pelco and Schneider Electric have been very proactive in responding to first news of the situation. At the beginning of the crisis, Pelco and Schneider Electric took swift action to secure that our HDD inventory could meet our forecasted demand through the end of 2011. Combined with the purchasing power of Schneider Electric, we are working hard to secure our continuing HDD supply as we move into 2012. Additionally, we have taken the following actions:

- Directed allocations for Pelco/Schneider based on weekly demand
- All bonded inventory secured within two weeks of crisis
- Reconfigured selected systems for minimal impact
- Qualifying alternative drives in multiple applications
- Working with suppliers to stabilize and project increases

### 5 — What is the HDD availability outlook for 2012?

Current forecasts for 2012 do not look good. Demand is expected to be much higher than production capacity. Inventories within global supply channels are being depleted. 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. The situation will continue to be volatile, and we will have to monitor and manage on a weekly and even daily basis.

**6 — Why is Pelco implementing a temporary HDD Surcharge?**

We have already seen an increase in HDD prices by as much as 120%. With excellent pro-active efforts and planning, we so far have been able to absorb these costs and maintain availability and pricing for our customers. 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 modest, temporary HDD surcharge.

**7 — Does the temporary HDD Surcharge apply to all countries?**

Yes, this HDD surcharge applies to all customers in all countries and applies 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.

**8 — Does the temporary Surcharge apply to orders received before January 1, 2012?**

Yes, this HDD surcharge applies to all to all Pelco by Schneider Electric HDD kits and products containing hard disk drives that ship on or after January 1, 2012, regardless of when the order was placed.

**9 — How much is the temporary HDD Surcharge?**

We have already seen an increase in HDD prices by as much as 120%. We have been able to absorb costs and maintain availability and pricing for our customers, 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 modest, temporary HDD surcharge.

**10 — When will the temporary HDD Surcharge begin and end?**

The HDD Surcharge will begin with any/all orders shipping on or after January 1, 2012, regardless of when the order was placed. The HDD Surcharge will be in effect until further notice. The situation will continue to be volatile, and we will have to monitor and manage on a weekly and even daily basis.