



Chint Power Systems America
2188 Pomona Blvd.
Pomona, CA 91768

To: CPS America Customers

September 5, 2019

Subject; Tariff Updates, CPS Actions, Pricing, Tariff Surcharge

Dear CPS Inverter Customer;

This letter is to update you on the recent tariff increases and CPS actions to reduce the burden on our customers. The tariff is sustained longer than expected, and thus CPS is taking additional actions to protect our customers now and for the long term.

Situation

The USA has increased import tariffs from 10% to 25% (now) and to 30% October 1st. Trade negotiations have been stubbornly protracted and unpredictable. USA determination may continue to expand beyond China and include alternative supply chains from other countries such as India, Vietnam and elsewhere. There are concerns this status might endure deep into 2020.

CPS Actions - Recent 12 months

Over the last year, CPS anticipated the risk of tariff increases so we took action to mitigate the cost exposure for our customers. Here are actions we took to protect you;

1. Accelerated inventory ahead of the 10% and 25% duty. This effectively delayed the burden on CPS customers.
2. We created a USA production capability in Texas (pilot run successful, now is UL approved manufacturing site) – a hedge, an option – but components from China now equally face high tariffs.
3. We drove efficiency and supply chain cost reductions with our existing operations – this enabled CPS to absorb most of the tariff costs temporarily.
4. We have been reviewing alternative operations within Chint Group and with partners, but we biased toward no change in our robust, high quality supply chain. We decided, thus far, to avoid operational changes so that we can assure reliable, high quality supply with low risk of disruptions to our customers.

CPS Pricing – Tariff Surcharge

We will institute a “Tariff Surcharge” on inverters as follows;

CHINT POWER SYSTEMS AMERICA CO.
2188 Pomona Blvd.
Pomona, CA 91768

- 8.8% for new orders placed after September 20th
- This surcharge will be reviewed month to month
- Surcharge magnitude depends on Tariff rules and CPS cost mitigation progress
- The surcharge will be eliminated as soon as possible
- Existing orders and those placed by September 20th for shipments by CPS America in 2019 will have no surcharge (ship from CPS America by December 31st)

Your CPS sales contact can support you on order placement and shipment support schedules to avoid the surcharge costs if feasible for you to do so.

We Need You

CPS needs your support, just as we have taken actions and mitigated costs to support you. Our continued partnership and your order volumes will enable us to keep unit costs low, factory efficiency and quality up and continue our business model of robust service and support in America. Now is a time to assess your loyalty to CPS – and we are determined to ensure that you get the value back from CPS for such loyalty. Thank you.

CPS Actions - Future

CPS will continue to make cost reductions to help offset the increased costs. We will also be cautious about supply chain disruptions so you can count on CPS “assurance of supply”.

Safe Harbor (year end, pre-ITC decline)

Safe Harbor component and factory supply chain actions have been put in place and are being firmed up over the next few weeks for customers requiring such support from CPS. Now is the time to confirm such requirements as the production plans will be aligned to your requirements confirmed before end of September.

We hope this letter helps our customers understand CPS actions and efforts to minimize tariff impacts. Thank you for counting on CPS.

Best Regards,

A handwritten signature in black ink, appearing to read "E. Heacox".

Ed Heacox
General Manager
CPS America
925 570-1463