

Tooltechnic response to request for clarification 13 June 2018

1. In 2017/18, Tooltechnic reported that around 500 enquiries/complaints were received regarding Festool price or service ('b ix b enquiries and complaints' spreadsheet). In the previous two reporting periods, there were closer to [REDACTED] enquiries/complaints. Can you explain what might have caused the significant increase in the number of enquiries/complaints in this past year?

After reviewing the reports, we provided you in previous years and comparing them with the one we sent you for the reporting period 2017/18 we noticed that we were not consistent with reporting in this case.

For the first 2 reporting periods, we called the report "b ix b COMPLAINTS about Festool products and services". To get to this report, we reviewed all online Cases, that we had received from our web site, which we have recorded in our Customer Relationship Management – Software (CRM) – [REDACTED] and extracted those, that could be interpreted as a "Complaint" in one form or another. So we only send you those cases, where we could interpret a request as a "COMPLAINT" , even though a lot of them might not have been a serious complaint.

This year, we called the report "b ix b ENQUIRIES AND COMPLAINTS" and only removed what we could see was obvious spam.

If we run the same report for the first two reporting periods, it actually returns around 580-600 cases per year.

So the numbers would be very similar indeed.

We apologize for that inconsistency. If you would like us to go through the 2017/18 report and focus on the COMPLAINTS and filter them out for you, we are more than happy to do this. Please let us know accordingly.

2. In our meeting of 11 May 2018, you noted that a direct selling or agency model is not feasible for Festool in Australia. Can you please expand on the reasons for this?

We did look at the agency model prior to opting for the approach to apply for an Authorisation and now a Registration under the new laws, as one benefit of the agency system would have been, that it can be set up without the involvement of the regulator.

In our opinion, the reasons, why an agency model would not work for our products are the following:

1) Financing of stock

[REDACTED]

With power tools and consumables, it is important for the customer, that (s)he can pick up the product right away, So unlike in the MIELE model for example, where the customer buys the dishwasher at a store and then gets it delivered after a few days directly from MIELE, this would not work with a carpenter, who needs a replacement saw NOW.

So while MIELE only has to supply some demonstration stock, we would have to provide and finance large amounts of trading stock – something we are – as a locally owned importer, not a supplier owned subsidiary – not able to finance.

2) Ease of Transaction

An agency system requires the customer to transact directly with the supplier. Many customers do not only buy a Festool product when they are in a store, but may want to buy some other items as well, like nails for their nail gun, paint etc. Now they can put this through in one transaction with the dealer. Most trade customers also do not pay at POS but purchase on account and receive a monthly invoice with payment terms.

In the agency model, they would have to carry out 2 transactions – one with us, COD via credit card and one for the non Festool / Fein products with the dealers POS-system. This is not customer friendly and also very cumbersome for the dealer.

[REDACTED]

[REDACTED]

4) Stock Management / Theft control

A typical dealer stocks several hundred line items of our brands – it would be very challenging to monitor this amount of stock in several hundred outlets, that are not managed by ourselves.

In summary we can say, why we love the concept [REDACTED]

[REDACTED]

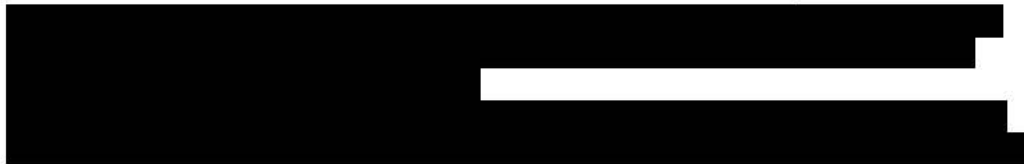
But we believe it is not economical to implement for the type of product that we sell and the type and size of company we are.

3. We note that there was a spike in net sales the year before RPM commenced, as well as a spike in the year RPM commenced (see below). Can you please explain what caused the [REDACTED] increase in net sales in 2014? Further, is this data based on a 1 April to 31 March year, or a calendar year?

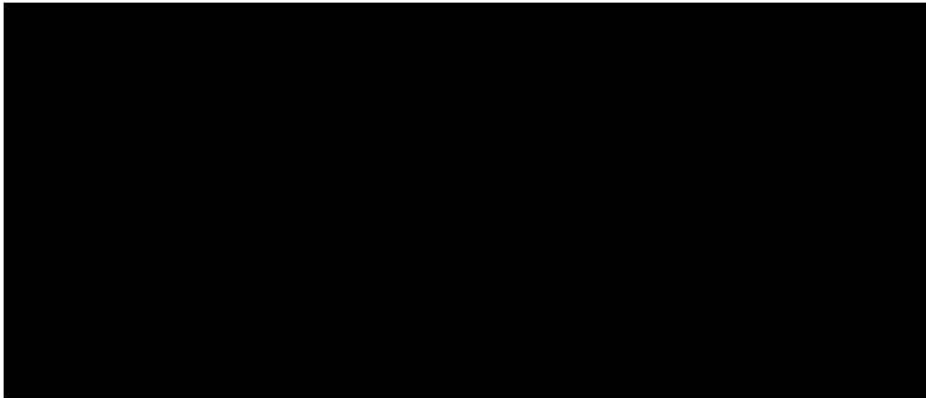
Festool Australia Net Sales to Distribution by Main Product Groups 2012-17



In the sales reports we normally report Annual Sales based on the Calendar Year, as all our reports are set up like this, as Calendar Year also is our Financial Year.



4. The current requirements of Fein dealers are reproduced below. How would these change (if at all) if RPM was introduced? Would Tooltechnic also introduce Partner Plus or Premium dealer categories?



In regards to question 4, as previously discussed, we would not expect that the requirements for a FEIN Dealer would change significantly in the first year. [REDACTED]

Our focus would be mainly [REDACTED], offering better access to the product for consumers.

[REDACTED]

[REDACTED]

[REDACTED]

So – definitely yes, we like to bring the Fein range to a level, where we can have Partner Plus and Premium Dealers, [REDACTED]

[REDACTED]