

Consent to certain actions for the purposes of the Initial Enforcement Orders made by the Competition and Markets Authority ('CMA') on 27 April 2016 and 12 May 2016

Completed Acquisition by VTech Holdings Ltd (VTech) of Leapfrog Enterprises Inc. (LeapFrog)

We refer to your emails and accompanying notes received on 5 May 2016, 17 May 2016 and 23 May 2016 requesting that the CMA consents to derogations to the Initial Enforcement Orders of 27 April 2016 and 12 May 2016 (the '**Initial Orders**'). The terms defined in the Initial Orders have the same meaning in this letter.

Under the Initial Orders, save for written consent by the CMA, Vtech Holdings Ltd is required to hold separate the VTech business from the Leapfrog business and refrain from taking any action which might prejudice a reference under section 22 of the Act or impede the taking of any remedial action following such a reference. After due consideration of your request for derogations from the Initial Orders, based on the information received from you and in the particular circumstances of this case, Vtech Holdings Ltd may carry out the following actions, in respect of the specific paragraphs:

Paragraphs 4, 5, 6 and 8 of the Initial Orders

On the basis of VTech's submission that Leapfrog's business in the UK and Ireland (LeapFrog UK) is a standalone business, whose operations are conducted by LeapFrog Toys (UK) Limited, the CMA consents to any act or omission which would otherwise constitute a breach of paragraphs 4, 5, 6 and 8 of the Initial Orders, **but only to the extent that** such act or omission does not affect directly or indirectly the product development (including software development and design), manufacture, distribution and/or sale of Leapfrog products in the UK, or otherwise impact on product development (including software development and design), manufacture, distribution and/or sale of Leapfrog products in the UK.

Paragraphs 4(a), 5(g) and 5(h) of the Initial Orders

In so far as LeapFrog Toys (UK) Limited is concerned, the CMA consents to a derogation from paragraphs 4(a), 5(g) and 5(h) strictly limited to allowing LeapFrog Toys (UK) Limited, to carry on its activities in markets outside of the UK and Ireland.

The following employees of LeapFrog Toys (UK) Limited will be engaged in this work:

- [X] Financial Controller France & Asia
- [X] Acc Receivable France
- [X] Acc Payable France (& UK support)
- [X] Acc Receivable France

These employees are required to sign non-disclosure agreements, the wording of which has been approved by the CMA, in order to prevent the dissemination of commercially sensitive information and, should the transaction be prohibited or remedies accepted, subject to the condition that any records or copies (electronic or otherwise) of such information that have passed from LeapFrog Toys (UK) Limited to VTech (in relation to the Leapfrog business in the UK and Ireland), wherever they may be held, will be returned to the Leapfrog business or destroyed.

Paragraphs 4(b), 5(c), 5(i) and 5(l) of the Initial Orders

In so far as LeapFrog Toys (UK) Limited is concerned, the CMA consents to a derogation from paragraphs 4(b), 5(c), 5(i) and 5(l) strictly limited to the purpose of allowing an existing employee of LeapFrog Toys (UK) Limited (Ms [X] - Vice President, Marketing) to be promoted to Manager of LeapFrog UK and to run LeapFrog UK on a day-to-day basis.

Ms [X] will be allowed to provide information to Mr Gilles Sautier (CEO, VTech Europe) which is strictly limited to: (i) non-commercially sensitive information; and (ii) information which is strictly necessary in the ordinary course of business (for example, where required for compliance with external regulatory and/or accounting obligations). Mr Sautier will be required to sign a non-disclosure agreement obliging him not to share any commercially sensitive information relating to LeapFrog UK with any employee of VTech who is engaged in commercial activities which are directly or indirectly relevant to, or impact on, VTech's operations in the UK. The CMA will be copied in all communication between Ms [X] and Mr Sautier.

This derogation should not prevent any remedial action that the CMA may need to take regarding this merger.