

**DEROGATION LETTER
IN RESPECT OF INITIAL ENFORCEMENT ORDERS ISSUED
PURSUANT TO SECTION 72(2) ENTERPRISE ACT 2002
COMPLETED ACQUISITION**

Dear [X]

Consent under section 72(3C) of the Enterprise Act 2002 to certain actions for the purposes of the Initial Enforcement Order made by the Competition and Markets Authority (CMA) on 3 October 2024

Completed acquisition by Topps Tiles Plc of certain assets of Tildist Realisations Limited (formerly CTD Tiles Limited) (the Merger)

We refer to your email dated 17 February 2025 requesting that the CMA consents to a derogation from the Initial Enforcement Order of 3 October 2024 (the **Order**). The terms defined in the Order have the same meaning in this letter.

Under the Order, save for written consent by the CMA, Topps and Tiles4Less (which is the entity that acquired the Target business) are required to hold separate the Target business from the Topps 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 a derogation from the Order, based on the information received from you and in the particular circumstances of this case, Topps and Tiles4Less may carry out the following actions, in respect of the specific paragraph:

Paragraph 5(I) of the Order

On 17 February 2025, the CMA found that the Merger gives rise to a realistic prospect of a substantial lessening of competition (**SLC**) as a result of horizontal unilateral effects in the supply of tiles to retail customers and in the supply of tiles to trade customers in four areas in the UK.

The CMA understands that Topps is considering the offer of undertakings to address the SLC. These undertakings may involve divesting certain Target stores (the **Divestment Stores**). Topps and the Target (the **Parties**) consider it strictly necessary for [X] (Topps Estate Manager) and [X] (Topps Head of Financial Planning & Analysis) to have access to data on the Divestment Stores for the

following purposes:

- (i) Topps' management team (namely [X] and [X]) will need to determine the appropriate divestment package(s) to offer as undertakings. To facilitate this, whilst ensuring that no competition-sensitive information (**CSI**) is shared with Topps' management team, the Parties request that financial and other data on the Divestment Stores can be shared with [X] and [X] (together, the **Authorised Individuals**) for the purposes of preparing a recommendation paper for Topps' management team (without inclusion of any CSI) to assist with its UIL decision.
- (ii) To provide financial and other information to prospective purchasers in connection with the potential divestment of the Divestment Stores which may be offered by the Parties to the CMA. It is likely that any prospective purchaser will require financial and other data on the Divestment Stores as part of their due diligence process and to appraise whether to proceed with the sales process. The Parties request that the Authorised Individuals can access this information on the Divestment Stores to provide to prospective purchasers on request.

Together, the **Permitted Purposes**.

The CMA consents to the derogation strictly on the basis that:

- 1) The Authorised Individuals sign an NDA as soon as possible in a form approved by the CMA.
- 2) Any CSI provided by the Target business to the Authorised Individuals is limited to what is strictly necessary for the Permitted Purposes (the **Permitted Information**) and will not be used for any other purpose. The Permitted Information will comprise only the information listed in the email from Topps' external counsel to the CMA of 14:04 on 18 February 2025 (unless otherwise agreed by email with the CMA).
- 3) The Authorised Individuals do not have any responsibility for the commercial or strategic operations of Topps and shall not use any information provided by the Target business to intervene in the management of the Target business.
- 4) IT firewalls and/or other ring-fencing measures will be put in place to prevent any unauthorised individuals within Topps from accessing the Permitted Information.
- 5) Topps will ensure that any third party to whom it provides the Permitted Information is aware of the terms on which the information has been provided and that the information must not be provided to any individual other than in compliance with the Order and this derogation.

- 6) No changes to the Authorised Individuals are permitted without the prior written consent of the CMA (including via email).
- 7) Should Topps offer undertakings and ultimately divest Divestment Stores, Topps will ensure that any records or copies (electronic or otherwise) of business secrets, know-how, CSI, intellectual property or any other information of a confidential or proprietary nature, wherever they may be held, that were received by Topps for the purposes of this derogation will be destroyed, except to the extent that record retention is required by law or regulation.
- 8) This derogation shall not prevent any remedial action which the CMA may need to take regarding the Merger.

Yours sincerely

Matteo Alchini
Assistant Director, Mergers
18 February 2025