

Tandem Group plc

(the 'Company')

TRADING UPDATE

Tandem Group plc (AIM: TND), designers, developers and distributors of sports and leisure equipment, is pleased to announce a trading update ahead of its annual results for the year ended 31 January 2011 which are due to be announced in May 2011.

Trading update

For the year ended 31 January 2011 turnover was approximately £34.6 million compared with £35.7 million in the prior year. As we previously reported, turnover from a bicycle promotional contract with a national retailer was considerably lower than last year.

The pre-Christmas trading period from October to December 2010 was very challenging with like for like turnover 12.8% down compared to the same period last year. This was particularly the case in the bicycles businesses where the inclement weather and weak consumer demand had an adverse effect. Many of our customers, both independent and national retailers, reported lower footfall and higher stock holdings than usual. The timing of Chinese New Year in 2011 has had an impact on our stock levels at 31 January 2011. We expect to correct this position during the first half of 2011.

Notwithstanding these factors post-Christmas trading has been encouraging. The annual bicycle shows were held in January and reaction to the 2011 ranges has been positive. For the first time in 11 years we also showcased our leisure and toy ranges at the Toy Fair exhibition held at London's Olympia in January. The response and reaction has exceeded expectation with new orders placed and initial discussions held with a number of potential new customers during the exhibition. This has been demonstrated by significantly increased Group turnover in January 2011 over the comparative period.

Consequently, despite the exceptionally difficult trading period in the run up to Christmas, the Board anticipate that the profit before tax for the full year will be marginally ahead of last year.

Outlook

Although it will be a challenging year we enter 2011 on a positive note. We are experiencing significant price inflation from the Far East and we continue to work hard to limit cost increases. For our bicycles businesses, these pressures have been reduced by the recent favourable movements in the US dollar and reductions in shipping costs although in our sports, leisure and toys business, which is mostly conducted in the US dollar, the benefit is less. Nevertheless, we believe that we are well placed to overcome the challenges that face us.

Extensive market research, new product design and product development has been undertaken for our 2011 bicycle ranges. In particular, customer feedback and press reviews of our new Dawes Audax, road and touring ranges has been pleasing. We have also introduced a new, limited edition Holdsworth cycle for 2011. Holdsworth is a brand with considerable heritage and is deserving of a place in our current range. Early indications are promising with orders exceeding our forecasts.

The order book for a number of our licences, in particular Ben & Holly's Little Kingdom, is encouraging and the recent appointment of a new master toy licensee for Fireman Sam and Bob The Builder will give the brands fresh impetus and should help to grow our sales in these licences also.

A number of new high profile licences have already been secured for 2012. These include the new eagerly anticipated Disney/Marvel 'Avengers' movie release in Summer 2012, 'Little Charley Bear', 'Rah Rah the Noisy Lion' and 'Thundercats'. We are optimistic about the contribution that these will make to future performance.

We are also delighted to announce the signing of a licence agreement with the London 2012 Olympic and Paralympic Games. The licence is to produce wheeled products including adult and children's bicycles, cycling accessories and wheeled toys. We expect to have the first range of product on sale in the second half of 2011 in preparation for what we anticipate will be the biggest national event in the country for many years.

Strategy

We previously reported last Autumn that a strategic review had been undertaken by the Company. The objectives following this review are being implemented.

A new Claud Butler branded parts and accessories range was exhibited at the recent January bicycle road shows with order intake significantly exceeding our expectations.

New bicycle listings have been secured for Spring/Summer and Autumn/Winter 2011 with a major national retailer.

International licensing opportunities are being explored and a number of proposals have been submitted to licensors.

Progress is also being made in respect of possible acquisition targets identified following the review.

We continue to invest in the necessary areas to achieve our strategic objectives.

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