

Tandem Group plc

(the 'Company')

TRADING UPDATE

Tandem Group plc (AIM: TND), designers, developers and distributors of sports and leisure equipment, announces a trading update ahead of its interim results for the 6 month period ended 31 July 2011 which are due to be announced in October 2011.

Trading update

Turnover for the 6 months ended 31 July 2011 was approximately £16.7 million compared to £19.1 million in the same period last year. Although gross margins improved following more favourable currency rates and shipping costs, we expect that the profit for the period before taxation for the half year will be lower than the same period last year but not less than the 2009 first half. This was a solid performance in a tough economic climate.

Trading has been particularly challenging during the period with a number of retailers reporting poor results and difficult trading conditions.

Despite the difficulties encountered, profitability from our bicycles and accessories business was greater than the comparative period last year demonstrating that the strategies implemented following last year's strategic review are coming to fruition.

Greater focus continues to be placed on our flagship brands of Claud Butler and Dawes and this has been successfully complemented by a Claud Butler range of accessories launched in the period. We also remain focussed on offering quality, value and excellent customer service to both our independent and national retailer customers.

In the sports, leisure and toys businesses the exceptionally cautious buying plans from national retailers, themselves in many cases holding hangover stock from the previous season, coupled with the anticipated reduction in revenues from our best performing licence have had an adverse impact on performance. We have also witnessed some retailers cancelling orders in an attempt to reduce their stock holdings, testament to the demanding market conditions we are facing.

As we reported in our AGM statement, revenue from the sports, leisure and toys business continues to track behind last year. Nevertheless, this part of the Group still remains profitable.

Outlook

Cycle demand is under great pressure as our competitors continue aggressive pricing policies in an attempt to maintain market share. We have been very conscious of this changing market and accordingly, working in conjunction with our product development teams and our suppliers, have introduced a number of quality products at competitive price points to counter this threat.

In accordance with our previously reported parts and accessories strategy, September will see the launch of a Dawes branded range of parts and accessories which will be showcased at the NEC Cycle Show in Birmingham, together with a number of new cycle ranges.

National retailer buying plans continue to be a concern as we enter the second half of the year. There are currently no indicators that this position will improve, although listings for Spring/Summer 2012 have been maintained and are broadly similar to 2011.

We remain positive that the licences secured for 2012 and beyond give the greatest potential for success should the retail environment improve.

We currently expect that profit before tax for the full year to 31 January 2012 will be behind the prior year but continue with our efforts to maintain an acceptable level of profitability.

Dividend declaration

The Company is expecting to be able to announce that an interim dividend will be paid.

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