

Tandem Group plc

AGM Statement

Chairman, Mervyn Keene, will make the following statement at today's AGM:

"As we reported in our announcement on 28 March 2013 the leisure sectors in which we operate were exceptionally challenging during the period. Whilst the position has improved during April and May, market conditions remain difficult.

In our bicycles and accessories businesses our independent dealers reported lower than usual footfall and consequently were, in some cases, overstocked. The coldest March since 1962 was followed by a cold April with ice and wintry snow showers persisting in the early part of the month significantly hindering the start of the leisure cycling season and resulting in a fall in sales of over 20%.

Notwithstanding these events demand for our higher priced road models increased during the period with order intake for our ladies and junior ranges particularly encouraging. Turnover from our cycle parts and accessories significantly increased compared to the prior year.

Although revenue from the Falcon, Townsend, Elswick, Boss and Zombie bicycle ranges designed for our corporate customers was particularly disappointing we have invested strongly in this area. A strategic review and recruitment programme has been undertaken, the positive results of which we believe we will see in Quarter 4 this year and into 2014.

The sports, leisure and toys business has been even more demanding, with revenue down over 30%. Market data suggests that the outdoor toy sector performed significantly behind the prior year. This can be attributed to both the poor weather highlighted above and the continuing economic malaise.

Our sports, leisure and toys order book, however, has been steadily growing and is currently more than 30% higher than at the same point last year which will help to catch up the poor start to the year. National retailer listings are improved for Autumn/Winter 2013. The new battery operated sit and ride ranges and the licensed range of 'One Direction' bicycles and wheeled toys are contributing to the increased order book.

The remaining part of the year is the busiest for the Group giving us the opportunity to recover a significant part of the revenue shortfall to date.

Other licensed properties including 'Skylanders', 'Peppa Pig' and our own brand 'Stunted' have held up well during the period although other brands including Ben Sayers golf have performed behind expectation.

In contrast to the same period last year the US dollar has strengthened although this has been partly offset by comparatively weak Far Eastern freight costs. Raw material costs remain reasonably stable although as ever we continue to negotiate hard to achieve the best possible prices and terms with our suppliers.

In accordance with our announcement on 28 March 2013, a dividend of 2.2 pence per ordinary share will be paid on or around 14 June 2013 to shareholders on the register on 17 May 2013."

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