

# 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 annual results for the year ended 31 December 2013 which are due to be announced in April 2014.

### Trading

Revenue for the year ended 31 December 2013 was slightly behind last year at around £28.3 million. The second half of the year saw a significant turnaround in performance with revenue approximately 17% ahead of the same period last year.

Operating profit for the year was marginally ahead of last year. However, due to the impact of exceptional restructuring costs, pension scheme finance charges and adverse foreign exchange variances in respect of currency contracts held for future purchases, profit before taxation was substantially behind. The year end currency contracts fair value adjustment referred to above was approximately £0.5 million. This adjustment will gradually reverse as contracts mature.

Revenue in the bicycle & accessories businesses was approximately 10% behind the prior year at just over £15 million. As we previously reported, the poor weather in the first 6 months significantly impacted on the year. Although Dawes recovered strongly in the second half with revenues nearly 9% ahead of the same period last year, performance from our Claud Butler and corporate bicycles divisions was disappointing.

Significant personnel changes have been made at Claud Butler. The position of Managing Director was made redundant in October and the business will now be overseen directly by the Group CEO, Steve Grant, with the support of the newly restructured management team. A number of administrative and accounting functions are being centralised. The business has recently moved to modern offices close to the Scunthorpe distribution centre which will improve operational efficiency and reduce overhead.

Revenue from our sports, leisure & toys businesses was over 10% ahead for the year at approximately £13 million and over 40% ahead of the prior year in the second half. This was against a backdrop of a well-documented overall decline in toy sales across the UK toy industry in 2013 of 1%.

One Direction and Peppa Pig performed ahead of expectation as did our Batman licence; principally following the introduction of the battery operated 'Batmobile' and other wheeled toys. Hedstrom, our own branded range of outdoor play products, and Stunted, our generic range of stunt scooters, also continued to perform strongly.

Although Ben Sayers had a difficult first half of the year, revenue was nearly 10% ahead in the second half compared to the previous period.

### Outlook

Our annual cycle road shows were held throughout the United Kingdom in January. Customer attendances were up for the third year in succession and feedback was positive although the volume of orders taken at the shows was behind the previous year. This reflected a more cautious buying approach adopted by independent bicycle dealers.

Our 2014 ranges have been extensively redeveloped including a rebranding of Claud Butler. The new Dawes 'Academy' range for example provides a premium range of lightweight junior bicycles for ages 2 to 15 offering a number of individual componentry features and benefits.

The Toy Fair exhibition held at London's Olympia also took place in January. This was an opportunity to showcase our increased range of both licensed and own brand products for 2014. The event was a success with several new customers showing interest in the range and positive feedback from existing customers and licensors alike.

New licences agreed for 2014 and beyond include Transformers, Star Wars, Angry Birds, The Simpsons, Peter Rabbit, Mister Maker and Woolly & Tig. With a new Transformers film release this year we believe that this license will make a positive contribution to sports, leisure and toy revenue.

The beginning of 2014 has been promising with Group revenue ahead of the prior year. Our balance sheet is improved with net debt significantly lower than at the same time last year. The market in which we operate continues to be under intense competitor and margin pressure, particularly at entry level bicycle price points. However, we remain optimistic that we can increase profitability in the forthcoming year.

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