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LONDON: Friday, 18 January 2019

THE CHARACTER GROUP PLC

("Character", "Group" or "Company")

Designers, developers and international distributor of toys, games and giftware

Trading Update

Ahead of the Group's Annual General Meeting being held today (18 January at 11.00hrs), The Character Group provides the following Trading update:

The positive momentum reported at the time of the publication of our preliminary results in November, driven by the Group's strong performance in the UK market in the second half of the 2018 financial year, has continued into the first half of our 2019 financial year. Despite disappointing performances reported by a number of retailers in recent weeks, our products maintained their popularity through the Christmas period, selling-through well at retail, and demand for our products is continuing.

Our international sales, excluding USA, remain steady. Whilst USA sales continue to be challenging, we are making good progress, which we believe will become evident in the second half.

Character's resilient and diverse portfolio is continuing to grow steadily. This progress is coming from both our core product range (which includes *Peppa Pig*, now in its 15th year and growing sales in the UK and international markets, *Stretch*, *Pokémon*, *Laser X* and *Little Live Pets*) together with the newer trend lines, (such as *Soft 'n Slo Squishies*, *Cra.Z.Slimy*, *Mashems* and *Treasure X*). In addition, we are currently in the process of rolling out a great range of new products and range extensions and they will be officially unveiled at the London Toy Fair, which opens at Olympia next week. Initial market feedback received in relation to our next season's ranges has been very encouraging.

Trading at OVG-PROXY ("Proxy"), the Danish toy distributor based in Copenhagen in which the Company acquired a 55% interest in October last year, is benefiting from being part of the Character Group, with logistical support from the Group in the Far East and a substantial increase in product ranges available to it for distribution in the Nordic countries since the acquisition. An example of the latter is the securing by Proxy of the exclusive rights to distribute the *FUNKO* range of figurines including *Fortnite*. In November last year, one of Proxy's major customers filed for bankruptcy, though there is news of a potential buyer for part of the customer's business. This has created a short-term setback, although the impact on Group revenue and profit will be minimal. Experience has shown, however, that the demise of a major toy retailer creates opportunities for distributors such as Proxy. In any event, recent events in the market have shown that the market share of "fallen" retailers is quickly absorbed by other established retailers. In the circumstances, we remain confident that the acquisition will prove to be beneficial to the Group.

As we said in the Annual Report, macroeconomic factors, including currency volatility, the potential implications of Brexit and the performance of the UK economy generally, will continue to influence market behaviour in the coming months and our business is not immune from these factors. Notwithstanding this, the Board remains confident in its strategy and the Group's flexibility to adapt to change and will continue to strive to grow the business, while facing any challenges as and when they arise.

Following the good sell-through at retail during the Christmas period, Character has started the 2019 calendar year with stocks firmly under control, a net cash position, and a strong balance sheet. With a proven and balanced product portfolio, soon to be enhanced with new product additions and range extensions, and robust UK market demand from customers, the Group's performance and prospects remain in line with management expectations and market consensus.

The Board looks forward to updating shareholders at the time of the publication of its interim results in early May.

The Character Group plc

FTSE sector: leisure:

FTSE AIM All-share: symbol: CCT.L

Market cap: £109m

Email: info@charactergroup.plc.uk

Group website: www.thecharacter.com

Product ranges can also be viewed at www.character-online.co.uk

To find out more about PROXY, please visit the website at <https://www.proxyas.com>.

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