

# HAYNES PUBLISHING GROUP P.L.C.

## Interim Management Statement (IMS)

Haynes Publishing Group (“the Group”) presents its third quarter IMS covering the 13 weeks to 28 February 2014 and to the date of publication of this Statement (“the period”) in accordance with DTR 4.3.4.

### Business highlights

In the US, an agreement with a key customer to install new display racks in 4,900 of its retail stores was completed in January 2014. The re-merchandising programme means 21 new US titles are now available in all of its North American stores and 5 new Spanish language titles are being displayed in 700 of its Hispanic outlets. An associated return of obsolete inventory, following this re-merchandising exercise, has adversely affected US revenue during the third quarter and management expects all the related returns to flow through US revenue by the end of the financial year. Nevertheless, despite these returns, management is confident that the improved in-store displays and refreshed store inventory will have a positive impact on future sales.

On 3 February 2014, the UK distribution was successfully transferred to Grantham Book Services (GBS), part of the Random House Group. From this date GBS have taken over the warehousing and distribution of the UK inventory, including customer invoicing, customer services and cash collection.

At the beginning of March 2014, the Group commenced action to restructure its global automotive editorial functions resulting in three voluntary redundancies in the UK business. The expected cost of the automotive editorial restructuring will be £0.2 million, increasing the total restructuring costs in the financial year to £1.5 million. Management expects the resulting cost savings to the UK business will be £0.6 million in 2014/15, anticipated to increase to £0.8 million in 2015/16.

During the period, HaynesPro completed the development of a new Touch interface specifically designed for use on tablets and smartphones. Utilising the new Workshop Connect™ feature, all the information is linked to a user’s account in the cloud, making it accessible from any device. The stored information includes recently viewed vehicles, saved cost estimates, work orders, specific vehicle configurations and user settings. HaynesPro expects to release and market the new Touch interface at the Automechanika automotive aftermarket show in September 2014.

### Third quarter trading

Total Group revenue for the third quarter was 7% down compared to the same period last year, as softer trading conditions in the UK and the associated returns from the new display roll-outs in the US adversely affected revenue. Nevertheless, year-to-date Group revenue for the nine months to 28 February 2014 was 4% ahead of last year.

Revenue from the Group’s North American and Australian business, in local currency, ended the third quarter 10% ahead of last year. On a like-for-like basis, excluding the revenue from Clymer manual sales, North American and Australian revenue was down 4%. The lower like-for-like revenue reflects the inventory returns from the re-merchandising programme and softer post-Christmas trading as severe weather conditions affected consumer spending and retail activity in many areas of the US, most notably on the East Coast. Management can report that the Clymer and Intertec business acquired in September 2013 continues to perform well and in line with management expectations.

Overall North American and Australian revenue for the first nine months of the financial year was 10% ahead of the prior year.

In the UK and Europe, a smaller but more focussed front-list publishing programme for our non-automotive titles coupled with weaker third quarter trading for our core automotive manuals led to a revenue shortfall in the UK against the prior period of 27%, while European revenue, in local currency, was down 1%. Overall third quarter UK and European revenue was down 17%. However we are optimistic that the focus on higher margin manuals will have a positive impact on future UK sales.

For the nine months to 28 February 2014, UK and European revenue in total was down 2% with UK revenue down 11% against the prior period. Encouragingly, we have continued our strong growth in European digital sales, with revenue ahead of last year by 15%.

As at 28 February 2014, the Group’s cash and cash equivalents was £1.3 million (30 November 2013: £0.7 million).

The events highlighted above represent the main changes to the Group’s financial position since the Group reported its half year results for the six months ended 30 November 2013.

**Cautionary Statement :**

This report contains certain forward-looking statements with regards the financial condition and results of the operations of Haynes Publishing Group P.L.C. These statements and forecasts involve risk factors which are associated with, but are not exclusive to, the economic and business circumstances occurring from time to time in the countries and sectors in which the Group operates. These forward-looking statements are made only as at the date of this announcement. Nothing in this announcement should be construed as a profit forecast. Except as required by law, Haynes Publishing Group P.L.C. has no obligation to update the forward-looking statements or to correct any inaccuracies therein.

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**Business Description**

The Haynes Group comprises two geographical business segments as follows :

- UK & Europe
- North America & Australia.

The UK & European business has headquarters in Somerset, England and subsidiaries in the Netherlands, Italy, Spain, Romania and Sweden. The core business of the European operations is the digital supply of automotive repair and technical information to professional mechanics in twenty four different languages, as well as to DIY consumers in both printed manual and digital formats. The business also publishes a wide range of manuals which are practical, instructional, easy to read and aimed at those with an interest in more general DIY related activities.

The North American & Australian business has headquarters near Los Angeles, California and publishes DIY repair manuals for cars and motorcycles in both a printed and digital format. The business publishes titles under the Haynes, Chilton and Clymer brands and in both the English and Spanish languages. Clymer manuals also cover marine (inboard and outboard) personal watercraft and snowmobiles, while the Intertec brand publishes manuals for agricultural equipment. It has a branch operation in Sydney, Australia which publishes similar products under both the Haynes and Gregory brands. The Australian business also publishes information for the professional automotive market. Through its print facility in Nashville, Tennessee, the North American business is the central print facility for the Group's printed products.