



## PRESS RELEASE

### HTL'S 2015 REVENUE DOWN 9.1%

**SINGAPORE – 25 FEBRUARY 2016** – Mainboard-listed HTL International Holdings Limited (“HTL”), a world leading leather tanner and leather sofa manufacturer, reported its revenue in 2015 fell by 9.1% to US\$454.9 million against US\$500.6 million in 2014, mainly due to the weaker sales in Europe, Asia (excluding China) and ANZ coupled with weaker Euro, JPY and AUD against the USD.

With lower sales, gross profit and other operating income, the Group's operating loss before net foreign exchange gain and tax increased by US\$2.0 million from US\$2.4 million in 2014 to US\$4.4 million in 2015. This was net of the savings from lower SG&A, other operating and net finance expenses.

After accounting a net foreign exchange gain of US\$7.0 million (2014: US\$13.2 million), the Group reported a net loss of US\$1.6 million, compared to a net profit of US\$5.3 million in 2014.

In Q4 2015, revenue was higher in North America but lower in Europe and ANZ. This, together with the weaker Euro, JPY and AUD against USD reduced turnover by 4.4% to US\$116.3 million (Q4 2014: US\$121.7 million). Despite lower sales, gross profit and other operating income, the Group reported a net profit of US\$0.8 million in Q4 2015 compared to a net loss of US\$2.7 million in Q4 2014. This was mostly due to savings from lower SG&A expenses as a result of tighter cost control and lower freight rates.

#### OPERATIONS REVIEW

The Group adopted a new organisational structure effective from 1 January 2015 to sharpen its focus in each business unit and better grow the retail business, in line with the objectives set out in the 2014 Annual Report to move up the value chain. The Group is reorganised into four business units (“BU”), namely Sofa, Leather, Home Furnishing Retail and Corporate Office.

Under this new organisational structure, the Group's retail business is consolidated with the existing Home Furnishing BU and renamed “Home Furnishing Retail BU”. The retail business, which was previously insignificant to the Group, formed part of the Sofa BU in prior years.

Turnover from Sofa BU decreased by 9.5% to US\$436.2 million (2014: US\$481.9 million), due to lower sales in all the key markets particularly in Europe, Asia and ANZ, and the weaker Euro, JPY and AUD against the USD.

Europe, its dominant market, fell by 12.6% to US\$198.6 million whilst revenue from Asia and ANZ declined by 14.3% and 7.6% to US\$62.1 million and US\$72.5 million respectively. Europe remained HTL's largest single market accounting for 45.5% (2014: 47.2%) of the Sofa BU's turnover, followed by North America (23.3%), ANZ (16.6%) and Asia (14.2%).

Despite lower sales, gross profit and other operating income, Core Business (comprising the Sofa BU, Leather BU and Corporate Office)'s operating profit before net foreign exchange gain and tax remained

stable at US\$10.0 million (2014: US\$10.1 million). This was the result of savings from lower SG&A, other operating and net finance expenses.

Home Furnishing Retail BU (“HFRBU”)’s revenue remained fairly constant at US\$18.7 million in 2015 and 2014. Higher sales from China retail and franchise business was offset entirely by lower sales contribution from Germany and Taiwan due to weaker retail conditions. With lower gross profit and other operating income, HFRBU’s operating loss before net foreign exchange loss and tax increased by US\$2.0 million to US\$14.5 million in 2015 (2014: US\$12.5 million). This was net of the savings from lower SG&A expenses, primarily on the back of tighter cost control.

The Group’s net borrowings (loans and borrowings less cash and short term deposits) increased by US\$5.5 million to US\$5.8 million as at 31 December 2015, mainly due to higher trade financing to fund the higher leather procurement activities. Accordingly, the Group’s overall net gearing was also higher at 3.6% (31 December 2014: 0.1%). The Group reported a negative free cash flow of US\$2.2 million in 2015 compared to a positive US\$32.7 million in 2014 as a result of lower profitability and higher capital expenditure in 2015 compared to 2014.

## **OUTLOOK**

Consumer sentiment worldwide remains soft against the backdrop of global economic uncertainty and slowdown in China. Major trading currencies, notably the Euro, JPY, AUD and Chinese Renminbi will remain volatile against the USD given the uncertainty of further US interest rate hikes.

While external factors will continue to put a strain on our revenue and profitability, input costs, especially raw leather hide prices and freight rates have been moderating. This will help to ease the pressure on our profit margins.

As a result of the Group’s restructuring effort, we expect the outlook for the sofa business to remain positive. However, the expansion into the retail business will continue to affect the Group’s overall performance until better economies of scale are achieved.

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### **About HTL International Holdings Limited**

Founded in 1976, HTL International Holdings Limited is one of the world’s leading leather tanners and manufacturers of quality leather upholstered furniture. Headquartered and listed in Singapore, the transnational company exports more than 95 per cent of its products to over 40 countries in Europe, North America, Asia-Pacific and the Middle East. HTL employs over 6,000 employees globally, and has wholly-owned sales and marketing offices in the United States, the United Kingdom, Germany, France, Italy, China, Taiwan, South Korea, Japan, Singapore and Australia. HTL also has a presence in Benelux, Scandinavia and the Republic of Ireland through sales agents.

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