



PRESS RELEASE

HTL RECORDED NET PROFIT OF US\$2.7 MILLION IN Q1 2014 VERSUS NET LOSS OF US\$1.9 MILLION IN Q1 2013

SINGAPORE – 9 MAY 2014 – Mainboard-listed HTL International Holdings Limited (“HTL”), a world leading leather tanner and leather sofa manufacturer, today reported that its revenue for Q1 2014 declined by 5.1% to US\$119.9 million from US\$126.4 million in Q1 2013, due to weak consumer spending on discretionary purchases, including furniture, especially in Europe, and the weaker Japanese Yen and Australian currencies against the United States Dollar (“USD”).

With a net forex gain of US\$2.5 million for the quarter, compared with a net forex loss of US\$1.5 million in Q1 2013, selling price increases, and lower sales, distribution and administrative expenses from its on-going restructuring and cost optimisation initiatives, the Group reported a net profit of US\$ 2.7 million for Q1 2014, compared to a net loss of US\$1.9 million for Q1 2013, despite the lower turnover and rising material and production costs.

As a result of improved profitability and working capital management, the Group recorded a positive free cash flow of US\$2.9 million in Q1 2014 compared to a negative free cash flow of US\$3.9 million in Q1 2013. Net borrowings decreased from US\$27.0 million as at 31 December 2013 to US\$24.8 million as at 31 March 2014, and net gearing improved further to 14.2% against 15.6% as at 31 December 2013.

OPERATIONS REVIEW

Sofa Business Unit’s revenue declined by 5.0% to US\$115.0 million from US\$121.1 million in Q1 2013. All markets, except Asia, recorded lower revenue in Q1 2014. Revenue from Asia grew by 25.6% to US\$19.5 million.

Revenue from Europe, its dominant market, fell by US\$5.5 million or 10.1% to US\$48.9 million as a result of weak market demand. Europe remained HTL’s largest single market accounting for 42.5% (Q1 2013: 44.9%) of the Sofa Business Unit’s turnover.

Home Furnishing Business Unit (“HFBU”) recorded a turnover dip of 7.3% to US\$4.9 million. The new international concept and product range launched by Domicil Home in Germany in early 2014 has yet to gather pace. This coupled with higher marketing and advertising costs for the launch had increased HFBU’s operating loss before net foreign exchange gain and tax to US\$1.2 million from US\$0.4 million in Q1 2013.

OUTLOOK

While the economies of various developed countries, notably the US and Europe, showed signs of recent recovery, consumer confidence remained weak and cautious and this will continue to dampen discretionary purchases such as leather sofas, especially in Europe, in the immediate future.

Input costs, particularly raw leather hide prices and wages at our production plants in China are expected to continue rising in 2014. We also expect major currencies like the Euro, Japanese Yen, the Australian Dollar and Renminbi to remain volatile against the USD.

Overall, the operating environment in 2014 is expected to be challenging. The Group will continue to sharpen its focus by optimising cost effectiveness; expanding existing and emerging markets, especially in Asia; and broadening its portfolio of offering with innovative products and new distribution channels to better meet consumers' changing needs and preferences.

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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 8,000 employees globally, and has wholly-owned sales and marketing offices in the United States, the United Kingdom, Germany, Italy, China, Taiwan, South Korea, Japan, Singapore and Australia. HTL also has a presence in France, Belgium, Netherlands and Luxemburg through sales agents.

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