



## **PRESS RELEASE**

### **HTL RECORDED NET PROFIT OF US\$0.1 MILLION IN Q3 2015 VERSUS NET LOSS OF US\$2.3 MILLION IN Q3 2014**

**SINGAPORE – 12 November 2015** – Mainboard-listed HTL International Holdings Limited (“HTL”), a world leading leather tanner and leather sofa manufacturer, reported a net profit after tax of US\$0.1 million in Q3 2015 compared to a net loss after tax of US\$2.3 million in Q3 2014. This was achieved despite weaker sales, gross profit and other operating income as the Group tighten its cost control further and in addition, the Q3 2014 results included a one-off expense incurred in connection with the cessation of a sales marketing agency.

Group revenue fell by 6.1% to US\$106.9 million in Q3 2015, mainly due to lower sales in Europe and the weaker Euro, Japanese Yen (“JPY”) and Australian Dollar (“AUD”) against the United States Dollar (“USD”). This was partially offset by higher sales in North America.

#### **NINE MONTHS 2015 (9M 2015)**

Turnover declined by 10.6% to US\$338.6 million in 9M 2015, primarily due to weaker sales in all key markets particularly in Europe and North America and the weaker Euro, JPY and AUD against the USD.

With weaker sales, gross profit and other operating income, partially mitigated by the savings from lower SG&A, other operating and net finance expenses, the Group registered an operating loss before net foreign exchange gain and tax of US\$7.8 million in 9M 2015, compared to an operating profit before net foreign exchange gain and tax of US\$0.3 million in 9M 2014.

After accounting for a net foreign exchange gain of US\$7.9 million (9M 2014: US\$11.6 million), the Group reported a net loss of US\$2.4 million for 9M 2015, compared to a net profit of US\$8.0 million for 9M 2014.

## **OPERATIONS REVIEW (9M 2015)**

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.

Sofa BU's revenue declined by 11.2% to US\$324.6 million compared to US\$365.4 million in the same period last year. This was mainly due to lower sales in all the key markets particularly Europe and North America and the weaker Euro, JPY and AUD against the USD. The lower sales in North America was due in part to the extremely harsh winter weather and the US West Coast port strikes earlier this year.

Revenue from Europe, its dominant market, fell by 14.2% to US\$146.4 million whilst revenue from North America declined by 7% to US\$74.3 million. Europe remained HTL's largest single market accounting for 45.1% (9M 2014: 46.7%) of the Sofa BU's turnover, followed by North America (22.9%), ANZ (17.5%), and Asia (14.3%).

As a consequence of weaker 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 decreased by US\$5.2 million to US\$2.5 million in 9M 2015. This was net of the savings from lower SG&A, other operating and net finance expenses.

Home Furnishing Retail BU ("HFRBU")'s revenue increased by 3.4% to US\$14.0 million, mainly attributable to the expansion of retail presence in China. Despite the growth in turnover, HFRBU's operating loss before net foreign exchange gain and tax widened by 38.4% to US\$10.3 million. This was primarily a result of higher SG&A costs arising from the development of retail presence in Asia, coupled with lower suppliers rebate received by Domicil Home in Germany.

The Group's net borrowings (loan and borrowings less cash and short term deposits) increased by US\$3.8 million to US\$4.1 million as at 30 September 2015, mainly due to higher leather procurement activities. Accordingly, the Group's overall net gearing was also higher at 2% (31 December 2014: 0.1%). The Group reported a negative free cash flow of US\$1.1 million in 9M 2015 compared to a positive US\$25.3 million in 9M 2014 as a result of lower profitability and higher capital expenditure in 9M 2015 compared to 9M 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 and may weaken further against the USD given the expected rise in US interest rates.

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 for the rest of the year. 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 Belgium, Netherlands, Luxemburg and the Republic of Ireland through sales agents.

For more information, please contact:  
Mr Steven Tan  
Chief Financial Officer  
Tel: 6864 7346  
Email: [steven.tan@htlinternational.com](mailto:steven.tan@htlinternational.com)