



## **PRESS RELEASE**

### **HTL RECORDED NET PROFIT OF US\$3.7 MILLION IN Q1 2016 VERSUS NET LOSS OF US\$0.6 MILLION IN Q1 2015**

**SINGAPORE – 12 MAY 2016** – Mainboard-listed HTL International Holdings Limited (“HTL”), a world leading leather tanner and leather sofa manufacturer, reported a net profit after tax of US\$3.7 million in Q1 2016 compared to a net loss after tax of US\$0.6 million in Q1 2015. This was mainly attributable to higher gross margin and savings from lower SG&A expenses, and despite higher other operating expenses from the closure of two retail stores and a sofa plant.

Group revenue fell by 2.7% to US\$106.1 million, mainly due to lower sales in Australia and New Zealand (“ANZ”), and the weaker Euro and Australian Dollar (“AUD”) against the United States Dollar (“USD”). This was partially offset by stronger sales in North America.

#### **OPERATIONS REVIEW**

Turnover from the Group’s Sofa business fell by 3.7% to US\$101.2 million compared to US\$105.0 million in the corresponding period last year. Lower sales in ANZ was the main cause for the decline, coupled with the weaker Euro and AUD against the USD. This was partly mitigated by stronger sales in North America.

Sales to North America rose by 13.2% to US\$26.0 million year-on-year whilst Europe, its dominant market, fell by 2.4% to US\$49.1 million. Europe remained HTL’s largest single market accounting for 48.5% (Q1 2015: 47.9%) of the Sofa BU’s turnover, followed by North America (25.7%), ANZ (12.1%) and Asia (13.4%).

With higher gross profit, savings from lower SG&A expenses and despite the aforementioned one-off sofa plant’s closure costs, the Core Business posted operating profit before net foreign exchange gain and tax of US\$6.8 million in Q1 2016 compared to operating loss of US\$0.1 million in Q1 2015.

Home Furnishing Retail BU (“HFRBU”)’s revenue improved by 22.1% to US\$5.0 million, largely attributable to the expansion of retail presence in China and Singapore. Despite the increase in turnover, HFRBU’s operating loss before net foreign exchange gain and tax increased by US\$0.3 million to US\$3.2 million in Q1 2016 (Q1 2015: US\$2.9 million). This was mainly due to the higher other operating expenses as a result of closure of retail stores in China. Excluding the closure costs, HFRBU’s operating loss before net foreign exchange gain and tax would have been lower at US\$2.1 million.

The Group’s net borrowings (loans and borrowings less cash and short term deposits) increased by US\$3.8 million to US\$9.6 million as at 31 March 2016, predominantly due to higher leather procurement activities. Accordingly, the Group’s overall net gearing was also higher at 5.7% (31 December 2015: 3.6%). Improvement in operating profitability brought about the reduction in negative free cash flow from US\$8.1 million in Q1 2015 to US\$3.7 million in Q1 2016.

## **OUTLOOK**

Challenging macroeconomic conditions will continue to put pressure on our revenue and profitability. Offsetting the strain will be reduced raw leather hide costs and freight rates, as well as lower operating costs.

Overall, we expect the outlook for the sofa business to remain positive, and the on-going restructuring of our retail business is expected to reduce our operating loss further.

----- End -----

### **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.

For more information, please contact:

Mr Steven Tan

Chief Financial Officer

Tel: 6864 7346

Email: [steven.tan@htlinternational.com](mailto:steven.tan@htlinternational.com)