



## PRESS RELEASE

### HTL Q1 2015 REVENUE DOWN 9.1%

**SINGAPORE – 14 MAY 2015** – Mainboard-listed HTL International Holdings Limited (“HTL”), a world leading leather tanner and leather sofa manufacturer, reported that its revenue for Q1 2015 declined by 9.1% to US\$109.1 million from US\$119.9 million in Q1 2014, due to lower sales in North America and Asia (notably, Japan), and the weaker Euro, Japanese Yen (“JPY”) and Australian Dollar (“AUD”) against the United States Dollar (“USD”), its functional and reporting currency. The impact of these were partially offset by higher sales in Europe and Australia and New Zealand (“ANZ”).

After accounting for a net foreign exchange gain of US\$3.1 million for the quarter, the Group reported a net loss of US\$0.6 million for Q1 2015, compared to a net profit of US\$2.7 million for Q1 2014. This was mainly attributable to lower revenue and higher material and production costs.

As a result of lower profitability and higher payment made to suppliers, the Group recorded a negative free cash flow of US\$8.1 million in Q1 2015 compared to a positive free cash flow of US\$2.9 million in Q1 2014. Net borrowings increased from US\$0.2 million as at 31 December 2014 to US\$9.3 million as at 31 March 2015, and net gearing increased to 5.4% against 0.1% as at 31 December 2014.

## 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.

Sofa BU’s revenue declined by 9.8% to US\$105.0 million from US\$116.4 million in Q1 2014. This was mainly due to lower sales in North America and Asia as well as the weaker Euro, JPY and AUD against the USD. The lower sales in North America was due in part to extremely harsh winter weather and the US West Coast port strikes.

Revenue from Europe, its dominant market, grew 1.2% to US\$50.3 million whilst revenue from ANZ was up 4.7% to US\$17.1 million. Europe remained HTL's largest single market accounting for 47.9% (Q1 2014: 42.7%) of the Sofa Business Unit's turnover, followed by North America (21.8%), ANZ (16.3%), and Asia (13.8%).

As a result of lower revenue and higher input costs, Core Business (comprising the Sofa BU, Leather BU and Corporate Office) posted operating loss before net foreign exchange gain and tax of US\$0.1 million in Q1 2015 compared to operating profit of US\$2.7 million in Q1 2014.

Home Furnishing Retail BU recorded a turnover growth of 13.1% to US\$4.1 million, mainly due to the expansion of retail presence in China. Despite higher turnover, HFRBU's operating loss before net foreign exchange gain and tax increased by 63.8% to US\$2.9 million, primarily a result of higher operating costs arising from the development of retail presence in Asia coupled with lower suppliers rebate received by Domicil Home in Germany.

## **OUTLOOK**

The operating environment in 2015 is expected to remain challenging. Weaknesses in the major economies and currencies of Europe, Japan and Australia and the slowdown in China are likely to persist, affecting consumer confidence and spending on discretionary and high value goods including sofas. Input costs are expected to stay high and wages at our production plants in China may rise further.

To combat these threats, HTL will further improve on its operational efficiency and cost effectiveness. The restructuring efforts that the Group had started will continue this year. Under-performing trading offices globally will be reorganised to better manage costs and capacity at our factories will be recalibrated more in line with expected demand going forward.

Our commitment to build a strong retail presence is demonstrated in the move to set up our own stores as well as franchise stores in China. The Group will continue to move up the value chain and expand its retail presence in China and South East Asia. These initiatives are expected to increase the Group's operating costs and will take time to bear fruit.

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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 7,000 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 and Luxemburg through sales agents.

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