



PRESS RELEASE

HTL Q2 2016 TURNOVER UP BY 5.4%

SINGAPORE – 4 AUGUST 2016 – Mainboard-listed HTL International Holdings Limited (“HTL”), a world leading leather tanner and leather sofa manufacturer, reported its Group revenue for Q2 2016 grew by 5.4% to US\$129.2 million due to stronger sales in Europe and North America, partially offset by lower sales in Australia and New Zealand (“ANZ”).

Despite higher sales and gross margin, and savings from lower SG&A expenses, the Group’s net loss after tax increased by US\$1.7 million to US\$3.6 million. This was mainly due to US\$5.7 million exceptional costs and US\$5.3 million unrealised foreign exchange loss. The exceptional costs came from the closure of a cut and sew plant in China and employees retrenchment at Singapore HQ. Excluding these, the Group would have reported net profit of US\$7.4 million for Q2 2016.

FIRST HALF 2016 (1H 2016)

Turnover for 1H 2016 climbed 1.6% to US\$235.3 million. The stronger sales in Europe and North America were partially offset by weaker sales in ANZ and Asia, and the weaker Euro and AUD against the USD.

With higher gross profit, savings from lower SG&A expenses and despite the exceptional costs under other operating expenses, the Group registered an operating profit before net foreign exchange loss and tax of US\$7.8 million in 1H 2016, a turnaround from an operating loss of US\$6.3 million in 1H 2015. If the US\$7.7 million exceptional costs were excluded, the Group would have reported an operating profit before net foreign exchange loss and tax of US\$15.5 million for 1H 2016.

Amid the volatile foreign exchange market, the Group reported a net foreign exchange loss of US\$3.4 million compared to a gain of US\$5.1 million in 1H 2015. The 1H 2016 loss was mainly attributable to unrealised loss on loan and bank balances coupled with unrealised mark-to-market loss on foreign exchange contracts whilst the 1H 2015 gain was primarily due to realised gain on delivery of foreign exchange contracts.

As a result of higher profitability, the Group’s income tax expense increased by US\$3.1 million to US\$4.3 million in 1H 2016.

Overall, the Group’s bottom line swung from a net loss of US\$2.4 million in 1H 2015 to a net profit of US\$44,000 in 1H 2016.

OPERATIONS REVIEW (1H 2016)

Sofa BU’s revenue inched up slightly to US\$224.2 million (1H 2015: US\$223.1 million). The stronger sales in Europe and North America were offset by the weaker sales in ANZ and Asia and the weaker Euro and AUD against the USD.

OPERATIONS REVIEW (1H 2016) (CONT'D)

Sales to North America rose by 11.9% to US\$54.4 million year-on-year whilst revenue from Europe, its dominant market, improved by 6.8% to US\$110.8 million. Europe remained HTL's largest single market accounting for 49.4% (1H 2015: 46.5%) of the Sofa BU's turnover, followed by North America (24.2%), Asia (13.1%) and ANZ (12.9%).

With higher gross profit, savings from lower SG&A expenses and in spite of the US\$6.0 million exceptional costs under other operating expenses, the Core Business posted operating profit before net foreign exchange loss and tax of US\$14.8 million in 1H 2016 compared to operating loss of US\$0.1 million in 1H 2015.

HFRBU's revenue increased by 29.2% to US\$11.1 million, mainly due to the expansion of retail presence in China and Singapore. Despite the increase in turnover, HFRBU's operating loss before net foreign exchange loss and tax increased by US\$0.8 million to US\$7.0 million in 1H 2016 (1H 2015: US\$6.2 million). This was mainly due to the higher other operating expenses arising mostly from the closure of retail stores in China in Q1 2016. Excluding these exceptional costs, HFRBU's operating loss before net foreign exchange loss and tax would have been lower at US\$5.3 million.

The Group's net borrowings (loans and borrowings less cash and short term deposits) increased by US\$2.9 million to US\$8.7 million as at 30 June 2016, primarily due to lower factoring without recourse. Accordingly, the Group's overall net gearing was also higher at 5.4% (31 December 2015: 3.6%) and the Group reported a negative free cash flow of US\$2.4 million in 1H 2016 compared to a positive free cash flow of US\$5.5 million in 1H 2015.

OUTLOOK

The recent Brexit vote took many by surprise and shook global markets, heightening the uncertainty in the already weak global economy. Terrorist attacks in Europe and Asia and shootings in the US had become more frequent. Together, these events had and will continue to undermine consumer confidence and discretionary spending. The Group will continue to focus and adapt its business, costs and restructuring plans to meet these prevailing challenges.

----- 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