



## **PRESS RELEASE**

### **HTL RECORDED NET LOSS OF US\$2.3 MILLION IN Q3 2014 VERSUS NET PROFIT OF US\$0.1 MILLION IN Q3 2013**

#### **SINGAPORE – 13 NOVEMBER 2014**

Mainboard-listed HTL International Holdings Limited (“HTL”), a world leading leather tanner and leather sofa manufacturer, reported a net loss after tax of US\$2.3 million in Q3 2014 compared to a marginal profit after tax of US\$0.1 million in Q3 2013. This was mainly attributable to the lower revenue and gross profit margin coupled with higher other operating expenses as a result of a one-off expense incurred in connection with the cessation of a sales marketing agency.

Group revenue fell by 6.7% to US\$113.8 million in Q3 2014 from US\$122.1 million in Q3 2013, primarily due to weaker sales in North America, followed by Australia and New Zealand (“ANZ”). This was partially offset by stronger sales from Europe and increase in average selling price.

#### **NINE MONTHS 2014 (9M 2014)**

Turnover fell by 3.9% to US\$378.9 million in 9M 2014, predominantly due to lower sales in North America coupled with the weaker Japanese and Australian currencies against the United States Dollar (“USD”). The impact of these were partially offset by higher sales in Europe and Asia, stronger Euro against the USD and increase in average selling price.

Despite the lower sales, rising input costs and higher other operating expenses, with a net forex gain of US\$11.6 million for 9M 2014 (9M 2013: net forex loss of US\$0.4 million), selling price increases, and lower selling, marketing, distribution and administrative expenses (“SG&A”) from its restructuring and cost optimisation initiatives, the Group reported a net profit of US\$8.0 million for 9M 2014, compared to US\$0.3 million for 9M 2013.

#### **OPERATIONS REVIEW – 9M 2014**

Turnover from the Group’s sofa business fell by 3.9% to US\$363.7 million compared to US\$378.6 million in the same period last year. Lower sales in North America was the main cause for the decline, coupled with the weaker Japanese and Australian currencies against the USD.

Sales to Asia climbed by 6.6% to US\$58.0 million year-on-year whilst revenue from Europe, its dominant market, improved by 3.3% to US\$168.1 million. Europe remained HTL’s largest single market accounting for 46.2% (9M 2013: 43.0%) of the Sofa Business Unit’s turnover, followed by North America (21.4%), ANZ (16.2%) and Asia (15.9%).

Home Furnishing Business Unit (“HFBU”)’s revenue fell slightly by 2.5% to US\$15.2 million (9M 2013: US\$15.6 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 were mainly the causes of HFBU’s higher operating loss before net foreign exchange loss and tax of US\$4.2 million in 9M 2014 compared to US\$2.4 million in 9M 2013.

With higher profitability and improved working capital management, the Group’s net borrowings decreased further by US\$19.8 million from US\$27.0 million as at 31 December 2013 to US\$7.2 million as at 30 September 2014. Consequently, the Group’s net gearing improved further to 4.1% (31 December 2013: 15.6%). The Group reported a lower positive free cash flow of US\$25.3 million in 9M 2014 (9M 2013: US\$38.3 million), mainly a result of higher leather procurement activities in 9M 2014 as compared to 9M 2013.

## **OUTLOOK**

Consumer confidence is expected to remain weak. Input costs especially raw leather hide prices will continue to be at near all-time high and wages at our production plants in China will probably rise further. These factors, together with the volatility of our major trading currencies will put additional pressure on profit margins. Against this backdrop, HTL will continue to improve its operational efficiency and cost effectiveness.

At the same time, to better meet consumers’ changing needs and buying preferences, HTL has embarked on broadening its portfolio by offering innovative and complementary products and establishing new distribution channels, particularly in Asia. These new investments which are all at the infancy stage will take time to bear fruit and are expected to increase the Group’s operating costs and would affect profitability in the coming months.

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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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