



PRESS RELEASE

HTL Q2 NET PROFIT UP 3-FOLD TO US\$7.6M

□ 1 Singapore Cent Dividend Declared

SINGAPORE – 13 AUGUST 2014 – Mainboard-listed HTL International Holdings Limited (“HTL”), a world leading leather tanner and leather sofa manufacturer, announced higher Q2 2014 net profit after tax of US\$7.6 million compared to US\$2.0 million in Q2 2013, a jump of 275.8%. This came on the back of higher gross margin and lower sales, marketing, distribution and administrative expenses (“SG&A”), following its organisational restructuring and cost-cutting initiatives.

Revenue for Q2 2014 remained flat at US\$145.1 million (Q2 2013: US\$145.7 million). The weaker sales in North America was offset by stronger sales in Europe, Asia, Australia and New Zealand.

FIRST HALF 2014 (1H 2014)

Turnover fell by 2.6% to US\$265.1 million in 1H 2014, primarily weighted down by weaker Japanese and Australian currencies against the United States Dollar (“USD”) and lower sales in North America. The impact of these were partially offset by higher sales in Asia, stronger Euro against the USD and increase in average selling price.

Despite the lower turnover and rising input costs, with a net forex gain of US\$7.6 million for 1H 2014 (1H 2013: net forex loss of US\$2.2 million), selling price increases, and lower SG&A from its restructuring and cost optimisation initiatives, the Group reported a net profit of US\$10.2 million for 1H 2014, compared to US\$0.2 million for 1H 2013.

OPERATIONS REVIEW (1H 2014)

Sofa Business Unit’s revenue declined by 2.7% to US\$254.4 million from US\$261.3 million in 1H 2013. Lower sales in North America was the main cause for the decline, coupled with the weaker Japanese and Australian currencies against the USD.

Revenue from Asia, however, grew by 13.0% to US\$39.7 million whilst revenue from Europe, its dominant market, improved marginally by US\$1.1 million or 1.0% to US\$117.5 million. Europe remained HTL’s largest single market accounting for 46.2% (1H 2013: 44.5%) of the Sofa Business Unit’s turnover.

Home Furnishing Business Unit (“HFBU”)’s revenue remained fairly constant at US\$10.7 million (1H 2013: US\$10.8 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 the main factors for HFBU’s higher operating loss before net foreign exchange gain and tax of US\$2.2 million in 1H 2014 compared to US\$0.8 million in 1H 2013.

With higher profitability and improved working capital management, the Group's net borrowings decreased by US\$15.1 million to US\$11.9 million as at 30 June 2014 against net borrowings of US\$27.0 million as at 31 December 2013. Consequently, the Group's net gearing improved further to 6.5% (31 December 2013: 15.6%). The Group reported a lower positive free cash flow of US\$16.3 million in 1H 2014 (1H 2013: US\$22.5 million) mainly due to higher leather procurement activities in 1H 2014 as compared to 1H 2013.

OUTLOOK

Consumer confidence is expected to remain cautious. Input costs particularly raw leather hide prices and wages at our production plants in China will probably continue to rise in 2014. Major trading currencies, notably the Euro, Japanese Yen, Australian Dollar and Chinese Renminbi will remain volatile against the USD. These factors may put additional pressure on profit margins.

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 second half of 2014.

INTERIM DIVIDEND

The Board of Directors has declared an interim cash dividend of 1.0 Singapore cent per ordinary share for 1H 2014.

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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 8,000 employees globally, and has wholly-owned sales and marketing offices in the United States, the United Kingdom, Germany, Italy, China, Taiwan, South Korea, Japan, Singapore and Australia. HTL also has a presence in France, Belgium, Netherlands and Luxemburg through sales agents.

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