



## **HTL'S FY 2012 REVENUE UP 10.1% NET PROFIT INCREASED BY 33.8%**

**SINGAPORE** – 26 February 2013 – Mainboard-listed HTL International Holdings Limited (“HTL”), one of the world’s leading leather tanners and sofa manufacturers, today reported that its revenue in FY 2012 grew 10.1% to US\$583.3 million against US\$529.6 million in FY 2011, in the face of challenging operating conditions. Increased sales were registered in North America, ANZ, Japan and Europe markets.

The Group’s net profit in FY 2012 rose 33.8% to US\$7.8 million, from US\$5.8 million the previous year, after accounting for a net forex gain of US\$1.1 million in FY 2012.

### **OPERATIONS REVIEW**

Turnover from the Group’s Sofa Business grew 13.0% to US\$552.3 million in FY 2012 [FY 2011 : US\$488.8 million]. Except for Greater China, all major markets grew, led by North America with a growth of 38.5% on turnover of US\$136.3 million. Notwithstanding the recessionary conditions in Europe, the Group’s sales to Europe increased by 5.6% to US\$262.7 million versus US\$248.8 million in FY 2011. Europe remained our largest single market accounting for 47.6% [FY 2011 : 50.9%] of the Sofa Business Unit’s turnover. Operating profit before net forex and tax fell by 23.3% to US\$16.6 million [FY 2011 : US\$21.6 million] due to rising input costs.

The change in accounting recognition on sales to our franchisees in Domicil Home in Germany, and the weak Euro against USD, caused revenue from the Home Furnishing Business Unit to decrease by 24.2% to US\$31.0 million in FY 2012 from US\$40.9 million year-on-year. If not for this accounting change and the weaker Euro, HFBU’s turnover for FY 2012 would have been higher by US\$6.9 million at US\$37.9 million (FY 2011 : US\$40.9 million). HFBU’s operating loss before net forex and tax declined by US\$2.2 million to US\$3.4 million (FY 2011 : US\$5.6 million representing US\$3.2 million operating loss and US\$2.4 million restructuring cost).

Higher procurement of raw leather hides increased the Group’s inventory by US\$36.7 million and net bank borrowings by US\$28.8 million. The increased working capital requirement from growth in turnover resulted in a negative free cash flow of US\$22.3 million in FY 2012, compared with positive FCF of US\$15.3 million in FY 2011. Net gearing also increased to 47.9% at as 31 December 2012 versus 31.8% the previous year.

### **OUTLOOK**

The challenging operating conditions in FY 2012 are expected to continue in FY 2013. Notwithstanding this, the Group will continue to focus on increasing global market share in

FY 2013, especially to North America and Asia Pacific markets while adapting to and managing escalating input costs, focusing on greater cost controls, improving margins and mitigating volatile forex.

#### PROPOSED DIVIDEND

The Directors are recommending a dividend of 0.5 Singapore cent per ordinary share, to be paid on 30 May 2013 if approved at the Annual General Meeting to be held on 29 April 2013.

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#### **About HTL International Holdings Limited**

HTL International Holdings Limited is one of the world's leading leather tanners and manufacturers of quality leather upholstered furniture. It exports more than 95 per cent of its products to over 50 countries, to Europe, Asia-Pacific, North America and the Middle East. Its sales, marketing and distribution offices are located in the USA, UK, Germany, Japan, Korea, China, Taiwan, Australia and Singapore.

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