



PRESS RELEASE

HTL Q2 2013 TURNOVER DECLINED BY 12.6%

SINGAPORE – 13 AUGUST 2013 – Mainboard-listed HTL International Holdings Limited (“HTL”), a world leading leather tanner and leather sofa manufacturer, today reported its revenue for Q2 2013 declined by 12.6% to US\$145.8 million from US\$166.7 million in Q2 2012 due to weaker demand in its key markets, especially in Europe.

The Group also reported a lower net profit of US\$2.0 million for the quarter, compared with a net profit of US\$4.1 million in Q2 2012. This arose from increased wages of 18% in China (effective 1 July 2012 mandated by the government) and rising leather hide costs, partially off-set by a one-off gain of US\$1.4 million from a land sale in Malaysia.

FIRST HALF 2013 (1H 2013)

Turnover for 1H 2013 declined by 8.4% to US\$272.2 million in 1H 2013 from US\$297.2 million year-on-year. Weaker consumer demand in its key markets, especially in Europe, and the weaker Euro and Japanese Yen against the US Dollar (our reporting currency) contributed to the decline. However, this was partially offset by increased sales in Australia and New Zealand (“ANZ”).

Amid the volatile foreign exchange market, the Group reported a net foreign exchange loss of US\$2.2 million compared to a gain of US\$2.4 million in 1H 2012. Resulting from lower profitability, the Group’s income tax expense was reduced by 79.6% to US\$1.0 million from US\$4.9 million in 1H 2012.

Overall, net profit was reduced to US\$0.2 million from US\$5.6 million in 1H 2012, after taking into account a one-off gain of US\$1.4 million from a land sale in Malaysia.

Following a strategic review earlier this year of the Group’s organisational structure, business models, manufacturing process operational efficiency, and supply chain cost efficiency, the Group has sharpened its focus on ways and means to boost top-line revenue and market share, and lowering costs on a sustainable basis. The financial impact of this ongoing initiative is expected to be felt in 2H 2013.

OPERATIONS REVIEW (1H 2013)

Sofa Business Unit’s revenue declined by 6.6% to US\$261.3 million from US\$279.7 million in 1H 2012.

Almost all markets, except ANZ, recorded lower revenue.

ANZ sales continued to expand with a growth of 16.5% to US\$40.5 million.

Revenue from Europe, its dominant market, fell by US\$20.7 million or 15.1% to US\$116.4 million as a result of lower consumer demand and the weaker Euro against USD. Europe accounts for 44.5% [1H 2012 : 49.0%] of the Sofa Business Unit's turnover.

The Home Furnishing Business Unit recorded a turnover dip of 38.0% to US\$10.8 million due to weak market sentiments and less owned stores after Domicil Home in Germany franchised half of its stores in Q2 2012. Despite this sharp dip, its operating loss before net forex and tax increased slightly by US\$45,000 to US\$0.8 million [1H 2012 : US\$0.7 million] due to additional cost control measures.

The Group's net borrowings decreased by US\$20.7 million to US\$61.3 million as at 30 June 2013 against net borrowings of US\$82.0 million at 31 December 2012. Consequentially, the Group's net gearing declined to 35.8% [31 December 2012: 47.9%]. The improved working capital management with lower leather inventory also contributed to the positive free cash flow of US\$22.3 million in 1H 2013 versus a negative free cash flow of US\$3.0 million in 1H 2012.

OUTLOOK

The prolonged sovereign debt woes in Europe, economic slow-down in China, and the fragile economic recovery in the US, persist to dampen consumer confidence and spending on high value and discretionary goods, including furniture. Against this backdrop, the Group will continue to be nimble and responsive to changes and opportunities in the competitive marketplace.

While factors such as government-mandated wage hikes at its manufacturing plants in China, increasing raw leather hide prices and volatility of foreign currencies, are beyond the Group's control, HTL is re-doubling its efforts to find new ways to restructure, better control input costs and improve its supply chain efficiency.

The Group expects its operating environment to remain challenging in second half of 2013.

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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 percent of its products to over 50 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 USA, UK, Germany, Italy, China, Taiwan, South Korea, Japan, Singapore and Australia. HTL also has a presence in France, Belgium, Netherlands and Luxemburg through authorised sales agents.

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