BreadTalk Group delivers strong year-end performance

Records 91.0% year-on-year net profit increase

Key Highlights:

- **Group FY2017 PATMI increased 91.0% Y/Y to $21.8m**
- **Net profit margin rose from 1.9% to 3.6%**
- **Records 7 cents per share payout for full year**

S$ million	FY 2017	FY 2016	Y/Y
Revenue	599.7	615.0	-2.5%
EBITDA	84.4	87.5	-3.5%
EBITDA margin	14.1%	14.2%	-0.1 ppt
Net Profit	21.8	11.4	+91.0%
Net margin	3.6%	1.9%	+1.7 ppt
EPS S$ cents	7.75	4.06	+90.9%
DPS S$ cents	7.00	3.85	+81.8%
NAV S$ cents	57.0	54.0	+5.6%

SINGAPORE – 22 February 2018 – Mainboard-listed BreadTalk Group ("the Group"), a leading lifestyle F&B group, today announced its financial results for FY2017.

The Group delivered a record 91.0% increase in net profit Y/Y to $21.8 million. Despite the unpredictable macro retail environment, the enduring strategy of consolidation and maximisation helped our core divisions to focus on improving existing outlet portfolio mix in 2017.

"We aspire to continually delight our customers with exciting products and services. Last year, we exceeded expectations and delivered 91.0% Y/Y increase in net profit for the Group. Looking into the future, we are well positioned to soar above the challenging retail market conditions to deliver high quality products and earnings for our customers and shareholders respectively." Dr. George Quek, Chairman, BreadTalk Group Limited.

While the Group continues to pursue long term growth in earnings, it remains determined in identifying innovative food concepts and partnerships, delivering them promptly with quality service to our consumers across our 17 territories.

Group revenue for FY2017 declined 2.5% Y/Y from $615.0 million to $599.7 million in line with our consolidation strategy for FY2017. For the same period, Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") for the Group declined 3.5% Y/Y to $84.4 million with EBITDA margin steady at 14.1% (FY2016: 14.2%), primarily due to weaker operating profit at the Bakery Division. Profit After Tax and Minority Interests ("PATMI") for FY2017 improved 91.0% from $11.4 million to $21.8 million. PATMI margin rose to 3.6% (FY2016: 1.9%).

FY2017 saw the recognition of $9.3 million in net capital gain from the divestment of the Group's investment in TripleOne Somerset during 1Q FY2017, while FY2016 saw the recognition of $8.8 million in net capital gain from the divestment of 112 Katong Mall during 1Q FY2016. Excluding one-off items, Core Food & Beverage (F&B) business net profit for FY2017 would have been $17.7 million, an improvement of 153.3% from a net profit of $7.0 million in FY2016.

Despite a rising interest rate environment, overall interest expense for the Group declined 8.6% Y/Y to $5.4 million, through our discipline in maintaining a healthy gearing level. Our active treasury management efforts also saw an improvement in interest income for the Group by 92.3% Y/Y from $1.2 million to $2.2 million.

Tax expense also declined 8.8% from $12.1 million to $11.0 million, translating to an improvement in effective tax rate from 40.8% to 27.0%, attributed to the turning around in some of our China businesses during FY2017 from loss making to profitable, thereby utilising earlier accumulated tax credits.

The Group generated a net operating cash flow of $84.4 million in FY2017, an increase from $82.5 million from FY2016.

Outlet numbers across Divisions

	FY2017	**FY2016**	**Net Increase / (Decrease)**
Bakery	**871**	**862**	**9**
Direct Operating	240	260	(20)
Franchise	631	602	29
Food Atrium	**53**	**57**	**(4)**
Restaurant	**25**	**24**	**1**
Din Tai Fung	25	24	1
4orth Division	**5**	**6**	**(1)**
Sō Ramen	5	0	5
Ramen Play	0	6	(6)

Bakery Division

Bakery Division revenue declined 3.2% Y/Y to $297.2 million during FY2017, attributed to lower revenue from direct operated stores at Shanghai, Beijing and Hong Kong, as well as lower franchise revenue from China due to the planned early termination of 8 franchisees during the year. There were 20 less direct operated stores Y/Y, at 240, following the reclassification of the 8 outlets in Malaysia in 4Q FY2017 to franchise, as well as closures in Singapore and China.

Franchise outlets ended the year at 631, 29 more Y/Y due to the addition of the re-classified outlets from Malaysia as well as more outlet openings by our Indonesia, Philippines and Thailand franchisees. EBITDA for the Division declined 20.5% to $23.2 million, with EBITDA margin at 7.8% (FY2016: 9.5%) primarily due to lower profitability at our Singapore and Shanghai direct operated stores, and lower high-margin revenue contribution from the China franchise business.

Food Atrium

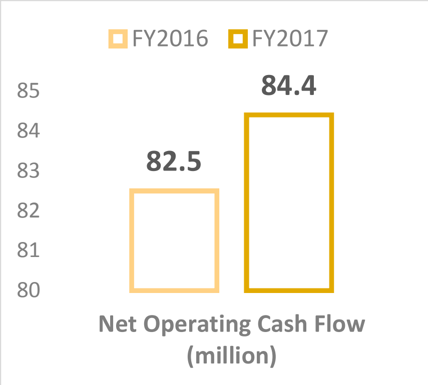
Food Atrium Division revenue was 5.4% Y/Y lower at $149.3 million as number of outlets decreased by 4 Y/Y. The same store sales growth momentum for the entire portfolio of food atrium outlets was strong, especially in China. The two new outlets that opened in Shenzhen during 4Q FY2017, at MIXC World and Uniwalk had not made significant revenue contribution for the year due to the short operating period, but are expected to do so in FY2018. EBITDA improved 53.7% Y/Y to $25.1 million with EBITDA margin improving from 10.3% to 16.8%.

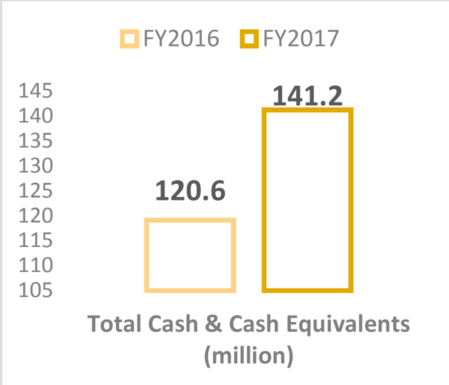
Restaurant Division

Restaurant Division revenue rose 2.2% Y/Y to $140.7 million with the addition of one new outlet during the year in Thailand. EBITDA rose in tandem by 2.1% Y/Y to $30.1 million as EBITDA margin kept steady at 21.4% (FY2016: 21.4%), despite having incurred some costs related to the start-up of our first Din Tai Fung outlet in London during the financial year. The outlet is expected to be operational in 3Q FY2018.

4orth

4orth Division is a new business division incorporated with the objective of incubating new Food & Beverage (F&B) business concepts, as well as enter into joint ventures or other forms of collaboration with good potential F&B partners, with whom we would take these F&B businesses to the regional level. The Division ended the year with revenue of $7.9 million and EBITDA of $0.5 million, translating to an EBITDA margin of 6.8%. The conversion of Ramen Play outlets into Sō started in March 2017 and completed in September 2017, so the Y/Y comparative figures for this Division are not meaningful.





The Group generated net cash flow from operating activities of $84.4 million in FY2017, an improvement of $1.9 million from the $82.5 million generated in FY2016, once again a testimony to the underlying strength of the core business.

Overall, the Group generated a net increase in cash and cash equivalents of $22.1 million in FY2017, ending the period with a cash and cash equivalents of $141.2 million.

Special and Final Dividend

The Board is recommending a tax exempt (one-tier) special dividend of 1 cent per share and final dividend of 2 cents per share for FY2017. This puts our full year dividend payout at 7 cents per share (FY2016: 3.85 cents). Subject to the shareholders' approval, the special and final dividend will be paid to shareholders on 15 May 2018.

Outlook

In FY2017, our Bakery business invested significant efforts to consolidate and turnaround some underperforming direct operated stores in China and Singapore. In addition, the Management has taken a strategic decision to revamp the Toast Box product in China to better suit the local Chinese palate and meet the consumers' mobile lifestyle. Concerted efforts are also ongoing to bring excitement to our BreadTalk customers with refreshed concepts and new products in the next year.

The Food Atrium Division ended FY2017 with a record low vacant stalls rate of below 2%, which laid the foundation for stronger revenue momentum in FY2018. With the success of the first direct operated restaurant concept at Shanghai Tower, the Division is looking to transform its business model ahead with the opening of more direct operated restaurants that are smaller in outlet area and potentially higher profit margin in nature.

While we expect to open our first London Din Tai Fung outlet in 4Q FY2018, the Management team is also staying focused on deepening our reach in our existing Singapore and Thailand markets to further optimise economies of scale. As of January 2018, two new outlets have already been opened, namely at the newly opened Northpoint City in Singapore and at Thonglor in Bangkok, Thailand.

Our 4orth Division business had a good start in FY2017 with the successful launch of Sō, rebranding all five Ramen Play outlets and turning the business profitable.

Heading into FY2018, our first joint venture Song Fa Bak Kut Teh outlet in Jing An Kerry Centre officially opened on 26 January 2018 to great fanfare by our customers in Shanghai.

This initial success has given us strong confidence in powering ahead with our outlet opening plans for the Song Fa brand in other parts of Shanghai as well as the other partnered cities in China and Thailand. The Management is also working hard to potentially bring on-board other renowned F&B brands and innovative dining concepts to the 4orth Division array of brands, which is in line with the original objective of the 4orth division.

Looking into 2018, the Management team is excited to kick-start our partnership with Shinmei Corporation, following our JV signing on 22 December 2017. The team will be working intensively with our partners in FY2018 to improve our procurement efforts, generate greater economies of scale, cost savings and new dining concepts for our core F&B businesses.

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About BreadTalk Group Limited

Founded as a bakery brand in Singapore in 2000 and listed on the SGX in 2003, BreadTalk has rapidly expanded to become an award-winning F&B Group that has established its mark on the world stage with its bakery, restaurant and food atrium footprints. With close to 1,000 retail stores spread across 17 territories, its brand portfolio comprises BreadTalk, Toast Box, Food Republic, Din Tai Fung, Bread Society, Thye Moh Chan, The Icing Room and Sō Ramen. The Group has a network of owned bakery outlets in Singapore, PRC, Malaysia, Hong Kong and Thailand as well as franchised bakery outlets across Asia and the Middle East. It also owns and operates the world-renowned Din Tai Fung restaurants in Singapore and Thailand, as well as the award-winning Food Republic food atria in Singapore, China, Taiwan, Hong Kong and Malaysia. In 2018, BreadTalk Group will open its first Din Tai Fung restaurant in London.

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