Interim results for 26 weeks ended 2 July 2011

August 2011
Agenda

• Introduction
• Financial performance
• Progress in first half
• Outlook for 2nd half
• Q&As
Highlights

• Sales up 4.2%
• Like-for-like sales up 0.4%
• Two additional public holidays - £2m profit impact
• Underlying operating profit up £0.8m*
• 39 net new shops opened
• Two new bakeries completed on time and on budget
• Dividend per share up 5.5% to 5.8p

*before exceptional items and impact of additional public holidays
First half performance

Richard Hutton
Finance Director
## Sales and profits (unadjusted)

<table>
<thead>
<tr>
<th></th>
<th>2011 £m</th>
<th>2010 £m</th>
<th>change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>£334.7</td>
<td>£321.3</td>
<td>+4.2%</td>
</tr>
<tr>
<td>Operating profit pre exceptional items</td>
<td>17.3</td>
<td>18.5</td>
<td>-6.5%</td>
</tr>
<tr>
<td>Exceptional items*</td>
<td>7.4</td>
<td>___</td>
<td></td>
</tr>
<tr>
<td>Operating profit including exceptional items</td>
<td>24.7</td>
<td>18.5</td>
<td></td>
</tr>
<tr>
<td>Finance income</td>
<td>0.0</td>
<td>0.1</td>
<td></td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>24.7</td>
<td>18.6</td>
<td>+33%</td>
</tr>
</tbody>
</table>

*Exceptional items are a pension credit of £9.7m and property and restructuring costs of £2.3m
# Underlying sales and profit progress

<table>
<thead>
<tr>
<th></th>
<th>2011 Reported £m</th>
<th>2011 Underlying* £m</th>
<th>2010 Actual £m</th>
<th>Underlying * change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>£334.7</td>
<td>£336.5</td>
<td>£321.3</td>
<td>4.7%</td>
</tr>
<tr>
<td><strong>Gross margin %</strong></td>
<td>61.1%</td>
<td>61.2%</td>
<td>61.2%</td>
<td></td>
</tr>
<tr>
<td><strong>Distribution &amp; selling %</strong></td>
<td>50.3%</td>
<td>49.8%</td>
<td>49.7%</td>
<td></td>
</tr>
<tr>
<td><strong>Admin %</strong></td>
<td>5.6%</td>
<td>5.6%</td>
<td>5.7%</td>
<td>4.3%</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>17.3</td>
<td>19.3</td>
<td>18.5</td>
<td></td>
</tr>
<tr>
<td><strong>Operating margin %</strong></td>
<td>5.2%</td>
<td>5.7%</td>
<td>5.7%</td>
<td></td>
</tr>
</tbody>
</table>

* Underlying performance after adding back £2m negative impact of two additional public holidays in the first half of 2011 when compared with the first half of 2010.
## Commodity cost pressure – year on year

<table>
<thead>
<tr>
<th>1st half impact</th>
<th>2nd half outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>30%</td>
<td>better</td>
</tr>
<tr>
<td>3 – 30%</td>
<td>similar</td>
</tr>
<tr>
<td>5 – 10%</td>
<td>similar</td>
</tr>
<tr>
<td>15 – 30%</td>
<td>worse</td>
</tr>
<tr>
<td>0%</td>
<td>better</td>
</tr>
</tbody>
</table>
Driving business efficiencies

• Continuing to drive purchasing savings from:
  – centralising range
  – e-auctions
• Supply chain strategy delivering greater savings than originally planned:
  – more new shops through existing bakery network
  – modernisation and automation investments paying back
• Reducing end of day product waste
• Growth achieved whilst holding overheads
• £1.5m first half benefit, £5m expected for full year
## Earnings and dividend growth

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diluted earnings per share (excl exceptional items)</td>
<td>12.7p</td>
<td>12.7p</td>
<td>0.0%</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>5.8p</td>
<td>5.5p</td>
<td>+ 5.5%</td>
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</table>

**Tax charge (incl exceptional items)**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
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</thead>
<tbody>
<tr>
<td>Tax charge</td>
<td>26.3%</td>
<td>30.0%</td>
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</tbody>
</table>

Tax charge benefits from headline rate reduction and revaluation of deferred tax
Full year tax charge guidance for 2011 now 26.5%
## Capital expenditure £m

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>New shops and re-sites</td>
<td>6.0</td>
<td>3.2</td>
</tr>
<tr>
<td>Shops refits and equipment</td>
<td>7.0</td>
<td>3.5</td>
</tr>
<tr>
<td>Supply chain capacity</td>
<td>13.2</td>
<td>0.3</td>
</tr>
<tr>
<td>Other expenditure</td>
<td>5.2</td>
<td>5.4</td>
</tr>
<tr>
<td><strong>Total capital expenditure</strong></td>
<td><strong>31.4</strong></td>
<td><strong>12.4</strong></td>
</tr>
</tbody>
</table>

*Gross number of new shops opened*  
45  26

Full year capex expectation remains circa £60m
Investment returns

- Strong start for new shops:
  - 39 net new shops in first half, double the historic rate
  - running 3% ahead of our first year ROC target
  - continue to expect 80 net new shops over full year

- Additional equipment investment supporting further growth in coffee and hot sandwich sales

- Lower cost concept shop refit developed – encouraging performance in first three shops

- New concept format applied to 25 new shops and refits in first half (total new concept now 51 shops)
Cash flow and balance sheet

• Net cash at half year £8.8m (2010: £24.6m)
• Cash level reduced through buybacks in 2010 and increased capital investment for growth
• Continued strong cash generation enables increased investment to be self-funded
Progress in first half of 2011

Ken McMeikan
Chief Executive
First half review

- Sales highlights
- New shops and refits
- Modernising our supply chain
- Update on major change programmes
Sales highlights

• Good top line sales growth
• Like-for-like sales in line with expectations
  – Better than expected April
  – Worse than expected May
  – Marginally positive like-for-likes in June and July
• Continued growth in breakfast market
• Some switching from sandwich purchases to savouries
• London and South East seeing strongest growth
• Increased promotional activity through customer demand
Growth in breakfast market

- Breakfast rolls still up 35% annualised
- Broader breakfast range:
  - Croissant
  - Pain au chocolat
  - Porridge
  - Cheese & bacon wrap
- Sales pre-9.00am up 12% yr on yr
Hot sandwich rollout

- 6 varieties of hot sandwich
- Prices £1.95 - £2.35
- 364 shops (270 shops December 2010) +35% increase
- Further 350 shops planned by year end
Freshly ground coffee roll out

- Completed roll out to all shops by half year
  - Extra 400 shops since January
- A growing opportunity for Greggs
- Great value versus coffee operators
  - Greggs’ small latte: £1.45 - £1.60
  - 25-30% lower than other high street coffee chains
Widening our choice on health

• Fruit pots:
  – 80g 99p
  – 150g £1.49

• Pasta pots (300g):
  – Spicy chicken £1.80
  – Cheese & tomato £1.45

• Launched early June
Investment in promotions

• Promotion driven market
  – *39% of grocery shopping is via promotions

• Greggs Meal Deals in first half:
  – Bread pack Meal Deal £1.99 and £2.99
  – Bloomer Meal Deal £2.99 and £3.99
  – Breakfast Meal Deal £2.09 and £2.40

• Promotional spend up circa £2m

* source: British Retail Consortium
Marketing

• Increasing importance of social media
  – Facebook
    – Over 260,000 fans
    – Royal Wedding street party campaign
    – Breakfast campaign

• Focus on print media and radio vs TV advertising
  – e.g. Daily Star promotion
    – Our most successful newspaper campaign to date
    – 10% of their customers redeeming vouchers at Greggs
New shops and refits

- Growth towards 2000+ shops on track
- 1500\textsuperscript{th} shop opened in York – February 2011
- Net 39 new locations including:
  - Newcastle railway station platform kiosk
  - Swansea and Bristol bus stations
  - Peterborough Retail Park
- 102 refits completed, including 17 concept shop refits
New bakeries

Penrith:
• Confectionery bakery
• 25,000 sq. ft
• £4.5m investment
• Supplying shops nationally
• Will be commissioned in September 2011

Newcastle:
• Replacement bakery
• 86,000 sq. ft
• £16.2m investment
• Potential to supply 200-250 shops
• Will be commissioned September/October 2011
Update on major change programmes

• 12 key cross functional projects:
  – 7 projects focused on top line sales
  – 5 projects to deliver cost and efficiency savings

• Sales projects focused on:
  – Take home and off peak trading times
  – Local ranges
  – 2 new shop concepts

• Cost projects focused on reducing:
  – end of day product waste
  – non value added tasks in shops
  – cost of shop refits

• Cost benefits will accumulate through the second half
Outlook for 2\textsuperscript{nd} half

- Anticipating tough trading conditions
- Continuing pressure from high commodity prices
- Increasing contribution from cost efficiency initiatives
- 2 new bakeries operational in September/October
- Like-for-like sales growth for full year achievable
- On track for 80 net new shops
Q&As