2012 Interim results
for 26 weeks ended 30 June 2012
Agenda

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

• Sales up 4.5%
• Like for like sales down 2.3%
• Pre-tax profit down £0.8m
• Dividend up 3.4% to 6.0p
• 33 net new shops opened
• New formats progressing well
• Wholesale and franchise (B2B) exceeding expectations
First half performance

Richard Hutton
Finance Director
## Performance overview

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Sales</td>
<td>349.7</td>
<td>334.7</td>
</tr>
<tr>
<td>Operating profit</td>
<td>16.5</td>
<td>17.3</td>
</tr>
<tr>
<td>Finance income</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>16.5</td>
<td>17.3</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>12.3p</td>
<td>12.7p</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>6.0p</td>
<td>5.8p</td>
</tr>
</tbody>
</table>

* 2011 excludes exceptional pension credit of £9.7m and property and restructuring costs of £2.3m
Margins

<table>
<thead>
<tr>
<th></th>
<th>2012 £m</th>
<th>2011 £m</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>£349.7</td>
<td>£334.7</td>
<td>+4.5%</td>
</tr>
<tr>
<td>Gross margin %</td>
<td>60.6%</td>
<td>61.1%</td>
<td></td>
</tr>
<tr>
<td>Distribution &amp; selling %</td>
<td>51.0%</td>
<td>50.4%</td>
<td></td>
</tr>
<tr>
<td>Admin %</td>
<td>4.9%</td>
<td>5.5%</td>
<td></td>
</tr>
<tr>
<td>Operating profit</td>
<td>16.5</td>
<td>17.3</td>
<td>-4.5%</td>
</tr>
<tr>
<td>Operating margin %</td>
<td>4.7%</td>
<td>5.2%</td>
<td></td>
</tr>
</tbody>
</table>

- Promotional investment driving volume at modest margin cost
- B2B contribution dilutes GM% and enhances net margin
- Weather impact on sales particularly impacts D&S costs
- Partial mitigation from operational and overhead cost control
- H2 net margins expected to be in line with those in H2 2011
Key commodity trends

Tuna

Oil

Wheat

Pork

Beef

Egg

GREGGS
The home of fresh baking™
Key input costs

- Cost inflation remains, but not at 2011 levels
- Food ingredient inflation remains similar in H2
- Energy prices reduce year on year in H2
- Further commodity pressure emerging from global weather impact on feed costs
- Over 80% of H2 positions covered
- Any impact likely to be 2013 onwards
Driving further efficiency savings

- £2.5m of efficiencies achieved in H1
  - automation of bakery wrapping
  - removal of non value adding activities from shops
  - better buying
- Target of £2.5m in H2
- Supply chain strategy continues to deliver:
  - good capacity utilisation as new shops open
  - new facilities and automation investments paying back
  - on track for £15m annual saving by 2014 (vs. 2009 base)
## Corporation tax rate reducing

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 effective tax rate</td>
<td>26.3%</td>
<td>25.2%</td>
</tr>
<tr>
<td>Full year:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Headline CT rate</td>
<td>26.5%</td>
<td>24.5%</td>
</tr>
<tr>
<td>Effective full year rate</td>
<td>26.4%</td>
<td><strong>24.0%</strong></td>
</tr>
</tbody>
</table>

- 2% reduction in Corporation Tax rate to 24% from April 2012
- Further 1% reductions in 2013 & 2014 announced but not yet legislated
- 2012 H1 and full year effective rates include revaluation of deferred tax
- Full year guidance for 2012 now 24%, 23.5% from 2013
Change to pensions accounting standards

- From 2013 amendment to IAS19 will be effective
- Greggs has a closed defined benefit pension scheme with an accounting deficit of £10.7m (June 2011: £0.9m)
- Increase in deficit largely driven by lower discount rate as bond yields have fallen
- Amendment from 2013 will reduce asset return assumptions for all defined benefit schemes
- Estimated £1m additional annual charge to profits from 2013 (will require restatement of 2012 comparatives)
## First half capital expenditure £m

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>New shops and re-sites</td>
<td>5.1</td>
<td>6.0</td>
</tr>
<tr>
<td>Shops refits and equipment</td>
<td>8.0</td>
<td>7.0</td>
</tr>
<tr>
<td>Supply chain capacity</td>
<td>0.9</td>
<td>13.2</td>
</tr>
<tr>
<td>Other expenditure</td>
<td>5.2</td>
<td>5.2</td>
</tr>
<tr>
<td><strong>Total capital expenditure</strong></td>
<td><strong>19.2</strong></td>
<td><strong>31.4</strong></td>
</tr>
</tbody>
</table>

*Gross number of new shops opened*  
37*  
45

Full year capex expectation remains circa £45m

*excludes additional 2 shops opened with Moto*
Investment programme

• New shops continue to perform well:
  – 33 net new shops in first half, including 2 Moto franchises
  – strong early results, on track to meet 20% ROC targets
  – confident of delivering record 90 net new shops over full year

• Refits also performing well:
  – 64 shop refits in first half
  – on target for 100-120 in 2012 with 12.5% ROC

• No major supply chain projects this year following significant investment in 2010 & 2011

• Norwich micro bakery (£0.9m)
  – capacity to supply 25 shops
  – extends reach of main bakery network
Cash flow and balance sheet

- Net cash at half year £1.8m (2011: £8.8m)
- Reduction largely reflects increased working capital demands of wholesaling
- Investment in growth continues to be self-funded through strong retail cash generation
- Expect c.£20m cash position at year end (2011: £19.5m)
First half review

Ken McMeikan
Chief Executive
Impact of weather

• We are a weather sensitive business
• Sustained rainfall impacts weekly sales: circa -3% to -5%
• April-June saw the worst rainfall since records began
• Q2 high street footfall down 7.2% (Q1 down 2.9%)*
• Greggs Q2 like for like sales down 3.5%
  - South West and Wales worst hit, down 5.8%
  - Scotland least affected, down 1.9%
• A resilient performance in exceptional conditions

*Source: BRC Springboard
Like for like sales highlights

• H1 like for like sales down 2.3%
• Significant footfall impact but 2 key trends:
  – Good growth in hot food & drink:
    • Coffee +9%
    • Porridge +19%
    • Soup +21%
    • Hot Sandwiches +97%
  – Value remains key:
    • ‘Lunch for Less’ baguettes from £1
    • Breakfast meal deals +40% since April
    • Sausage rolls +3%
New shop expansion

- Growth target: 2,000+ shops in UK
- 1,604 at half year
- 33 net new openings in H1:
  - 45% in locations away from high streets
  - 80% of new shops with seating
- New shops on track for 20% ROC
- 17 additional new shops in the last 5 weeks
- Comfortably on track to open net 90 for 2012
Shop formats

Food-on-the-go

Local bakery

Coffee shops

The home of fresh baking™
Food-on-the-go format

• Circa 75% (1,200) of Greggs shops are ‘FOTG’
• Original concept shop opened in Bromley in 2009
• Reminder of key features:
  – more browsing space for customers
  – self service sweet & bread products
  – improved speed of service
  – seating
• Format now in nearly 200 FOTG shops
• Further 44 refits planned for second half
Local bakery format

- Estimated 400 shops (25%) of existing estate are ‘local bakeries’
  - community based shops
  - significantly higher sales of bread/cakes than FOTG shops
  - typically suburban locations or small towns
- First refurbishment opened 23 June
- Off to a great start:
  - 75 new lines
  - made to order sandwiches
  - significant lift in like-for-like sales
- Rolling out a further 10 in H2
- All local bakery refits in 2013 likely to be in this format
Coffee shop format

- Coffee market worth £7bn by 2015 (source: Allegra)
- Now have 4 Greggs moment coffee shops
  - Newcastle, Middlesbrough, Stevenage, Staines
- 5th Greggs moment opening 9 August in Gateshead
- Early performance encouraging, customers love it
- Key focus:
  - opportunity to build coffee takeaway sales
  - refine range
  - increase operational efficiency
  - reduce capex
- Evaluate performance over next 3-4 months
- Future plans to be confirmed beginning 2013
- New appointment “Head of Coffee”
B2B - wholesale

- Part of our “Delivering Growth” strategy
- ‘Bake at home’ market remains a big opportunity
- Dedicated Greggs-branded cabinet in 750 Iceland shops
- Existing savoury capacity better utilised
  - reviewing future savoury capacity requirements
- Sales strong and contributing to profit
B2B – franchise

- Extending Greggs offer to consumers on the move
- Opened two trial shops in H1
  - Lymm (M6 Cheshire, opened January)
  - Birch (M62, Greater Manchester, opened June)
- Both exceeding sales expectations
- Delighted with Moto management of the brand
- Roll out planned to further 28 motorway services
Outlook

- Consumer environment still challenging; value remains key
- Continued investment required in price and promotions
- Further growth of wholesale B2B through Iceland
- Expansion across motorway service stations
- Comfortably on track for 90 net new shops
- Food ingredients largely covered for H2
- Overall, expect H2 margins in line year on year
- Positive sales uplift in London during Olympics
Questions