2011 Preliminary Results
for the 52 weeks ended 31 December 2011
Agenda

• Overview

• Financial results

• Business update

• Outlook for 2012
The “Delivering Growth” Plan

- Launched October 2009
- 600+ new shops
- Doubling the rate of new shop openings and refits
- Investment in a more efficient supply chain
- Growth financed from ongoing cash generation
- Centrally run business driving further cost savings
- Need to maintain strong reputation for value
- Making good progress
Highlights for 2011

- 52 week total sales growth up 5.8%
- Like-for-like sales up 1.4%
- Pre-tax profit* up 1.1% to £53.1m
- Diluted EPS* up 4% to 38.8p
- Dividend per share up 6% to 19.3p
- Record shop openings: 84 net new
- Two new bakeries open on time and to budget
- Overall a resilient sales and profit performance

* Before exceptional items: 2011 pre-tax credit £7.4m
Finance update
Richard Hutton
## Group sales and profits

<table>
<thead>
<tr>
<th></th>
<th>2011 £m</th>
<th>2010 £m</th>
<th>change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>£701.1</td>
<td>£662.3</td>
<td>+5.8%</td>
</tr>
<tr>
<td>Operating profit pre exceptional items</td>
<td>53.0</td>
<td>52.4</td>
<td>+1.1%</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>60.4</td>
<td>52.4</td>
<td></td>
</tr>
<tr>
<td>Finance income</td>
<td>0.1</td>
<td>0.1</td>
<td></td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>60.5</td>
<td>52.5</td>
<td>+15.2%</td>
</tr>
</tbody>
</table>

*Exceptional items are a pension credit of £9.7m and property and restructuring costs of £2.3m relating to the closure of two bakeries
Exceptional items in 2011

<table>
<thead>
<tr>
<th>Description</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension credit following the move to CPI as the official index for pensions valuation</td>
<td>£9.6m</td>
</tr>
<tr>
<td>Closure costs relating to relocation of Newcastle and Penrith bakeries*</td>
<td>(£2.2m)</td>
</tr>
</tbody>
</table>

**Net exceptional credit in 2011** £7.4m

*£0.4m redundancy costs, £0.7m asset write-downs, £1.1m future lease costs*
## Margin

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<td><strong>Sales</strong></td>
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<tr>
<td><strong>Gross margin %</strong></td>
<td>61.4%</td>
<td>61.9%</td>
<td></td>
</tr>
<tr>
<td><strong>Distribution &amp; selling %</strong></td>
<td>48.8%</td>
<td>48.6%</td>
<td></td>
</tr>
<tr>
<td><strong>Admin %</strong></td>
<td>5.0%</td>
<td>5.4%</td>
<td></td>
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<td>7.6%</td>
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**Key points:**
- £1m profit impact of additional public holiday in 2011
- Significant increase in food ingredient and energy costs
- Substantial investment in promotions
- Great progress in unlocking cost savings
## Earnings and taxation

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<tr>
<td>Diluted earnings per share</td>
<td>38.8p</td>
<td>37.3p</td>
<td>+4.0%</td>
</tr>
<tr>
<td><em>(excl. exceptional items)</em></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax charge</td>
<td>26.4%</td>
<td>27.8%</td>
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Key points:
- 2% reduction in headline Corporation Tax rate effective April 2011
- Further 1% reduction in April 2012
- Guidance for 2012 effective rate now 25%, falling to 24.5% from 2013
Key commodity trends in 2011

- **Oil**
- **Wheat**
- **Pork**
- **Beef**
- **Tuna**
- **Cream**
Significant input cost pressure in 2011

• Food costs £6m higher than anticipated
• Energy and fuel costs £2m higher than anticipated
• Particularly difficult first half with cost inflation peaking in Q2
• Rate of inflation slowed in Q4 but pressures remain
• Unable to recover all cost inflation through price increases
• Increased necessity to deliver substantial cost efficiencies
Cost outlook improving versus 2011

- Cost inflation eased at the end of 2011
- Inflation remains, but at a lower level than in 2011
- Continuing to contract forward on average 4-6 months

Flour
Energy
Chicken
Packaging
Rents

Pork
Beef
Tuna
Sugar
## Cost saving initiatives delivered

<table>
<thead>
<tr>
<th>Initiative</th>
<th>£m</th>
</tr>
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<tbody>
<tr>
<td>Purchasing benefits: consolidation and better buying</td>
<td>2.4</td>
</tr>
<tr>
<td>Structural savings: management and admin efficiency</td>
<td>1.1</td>
</tr>
<tr>
<td>Training delivery and smarter ways of working</td>
<td>1.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4.6</strong></td>
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Supply chain cost reduction delivering ahead of plan

• Now expect to deliver original £10m plan two years early in 2012
• Excellent progress in restructuring, consolidation and automation
• Target for 2015 annual savings increased to £15m
## Capital expenditure

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<td>New shops and re-sites</td>
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<td>Refits and additional equipment</td>
<td>16.9</td>
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*Number of gross new shops opened*

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Capital management

• All capex subject to rigorous scrutiny at Investment Board
• DCF approach for all supply chain investment – Newcastle and Penrith investments generating £2.5m annual savings
• Shop returns on track to meet hurdle rates:
  – Minimum 20% ROC for new shop capital
  – Incremental like-for-like targets for refit expenditure
• Project to deliver reduction in shop fitting costs
  – 15% reduction per square metre achieved in 2011
Cash flow and balance sheet

- Continued strong cash generation
- Capital investment self funded
- Net cash at year end £19.5m (2010: £20.8m)
- Cash position appropriate given growth plans and inherent gearing
27th year of dividend growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividend per share</th>
<th>Dividend cover</th>
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<tr>
<td>2010</td>
<td>18.2p</td>
<td>2.0x</td>
</tr>
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<td>2.0x</td>
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Change: 6.0%
Business update
Ken McMeikan
Accelerated new shop openings

• Record net 84 new shops in 2011

• Increasing number of shops where customers are at work, travelling or at leisure:
  – 30% of new shops in 2011
  – Targeting 40%+ in 2012

• 10% of estate now away from traditional high streets
  – Aiming for 20-25%

• Planning net 90 new shops in 2012
First move into motorway services

- Franchise shop opened with Moto
- Lymm Motorway Services in Cheshire
- Performed beyond expectations
- Second site to open in June 2012
- Potential for c.30 sites
Developing three formats

Food on the go

Local bakery

Coffee shop
Our first coffee shop opened Sept 2011

- New range of bakery food tailored for the ‘eat in’ customer
- Superior quality food offer versus coffee chains
- Comparable hot drinks but 10-20% cheaper
- Pleased with performance so far
- Plan to open three more by end Q3 2012
- Decision on scale of opportunity in Q4
Aggressive promotion-driven market

- Customers seeking out value
- Substantial increase in promotions by competitors
- Greggs promotional spend up 50% versus 2010
- Over half the increase was investment in Meal Deals
- Largely second half driven
- The right thing to do for our customers in a tough market
- Anticipate similar levels of promotional spend in 2012
Marketing more tactical

- Similar spend to 2010
- Increased spend on digital and social media
- Reduced spend on traditional media
- Planning to spend £2m more in 2012
New channels to market

- Entering the ‘take home’ market
- Launched October 2011
- 746 Iceland stores now sell Greggs branded sausage rolls
- Very pleased with performance
- Not experiencing cannibalisation of existing shops sales
- Working with Iceland to introduce more products
- Exploring opportunities in the food service sector
Investment in bakeries

Penrith:
• Specialist confectionery bakery
• 25,000 sq. ft
• £4.5m investment
• Supplying shops nationally with 30 lines

Newcastle:
• Replacement bakery
• 86,000 sq. ft
• £16.2m investment
• Potential to supply 200-250 shops
• World leading oven technology and energy management
Supply Chain: pushing back capital expenditure

- Increasing capacity in existing supply chain through:
  - Extended roll-out of ‘pick by light’ system
  - Better utilisation of vehicles over 24 hour period
  - Consolidated production of longer-life products in Cumbria
- Enabling deferral of supply chain capex by 12-24 months
Investing in savoury capacity

• Record ⅓ of a billion products delivered in 2011
• Invested £1m in 2011 in line upgrades - faster running speeds
• Invested in automated packaging for wholesale
• Further investment in freezer throughput in 2012 will increase capacity by 10%
Current trading

- Total sales up 3.3%*, like-for-like sales down 1.8%*
- Slower than expected start
- Spotted trend early (wk 2) - reacted quickly
- Cost control very strong, profit on target
- Targeted promotions from week 11 in 650 shops:
  - Sausage rolls 2 for £1.00
  - 5 new lower priced baguettes £1.00 - £1.50
  - Supported by local marketing campaigns

*first 10 weeks 2012
Outlook for 2012

- Challenging year for UK consumers, however:
- Cost inflation easing to a lower rate
- Diamond Jubilee, Olympics, European Football Championships improving consumer sentiment
- Further efficiency savings planned
- New shop openings, c.90 net
- Continued expansion into wholesaling
- Well placed to deliver further progress
QUESTIONS