2015 Interim Results:
For the 26 weeks ended 4 July 2015

Wednesday 29 July 2015
Agenda

- Highlights
- Financial performance
- Operational highlights
- Outlook for 2015
2015: A strong first half

- Total sales up 6.4% to £398m, own shop LFL up 5.9%
- Pre-tax profit up 51.2%* to £25.6m
- Continued strong cash generation
- Special dividend of 20.0p per share paid 17 July
- Ordinary interim dividend per share up 23.3% to 7.4p

* Underlying profit growth excluding exceptional pre-tax charge of £8.2m in H1 2014
H1 2015 Financial Performance
Richard Hutton
## Group sales and profit – H1

<table>
<thead>
<tr>
<th></th>
<th>2015 (£m)</th>
<th>2014 (£m)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>398.4</td>
<td>374.4</td>
<td>+6.4%</td>
</tr>
<tr>
<td>Operating profit before property &amp; exceptional items</td>
<td>25.5</td>
<td>15.4</td>
<td>+65.6%</td>
</tr>
<tr>
<td>Property disposal gains</td>
<td>0.1</td>
<td>1.4</td>
<td></td>
</tr>
<tr>
<td><strong>EBIT before exceptionals</strong></td>
<td><strong>25.6</strong></td>
<td><strong>16.8</strong></td>
<td>+51.2%</td>
</tr>
<tr>
<td>Exceptional items*</td>
<td>-</td>
<td>(8.2)</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>25.6</td>
<td>8.7</td>
<td></td>
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* Exceptional items in 2014 included charges for the restructuring of in-store bakeries and support operations
Strong H1 LFL, tougher comps ahead

- Strong first half growth
- Step up seen in H2 2014 following successful relaunch of sandwich range
- Expect continued growth in H2 but not at H1 levels
EBIT profit bridge

- Strong LFL growth contribution in H1
- Structural change savings from activity in 2014, now largely annualised, further £0.6m in H2
- Continued good progress in cost reduction activity

*before exceptional items*
## Net margin

<table>
<thead>
<tr>
<th></th>
<th>H1 2015 £m</th>
<th>H1 2014 £m</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>398.4</td>
<td>374.4</td>
<td>+6.4%</td>
</tr>
<tr>
<td><strong>Gross margin %</strong></td>
<td>61.8%</td>
<td>60.5%</td>
<td></td>
</tr>
<tr>
<td><strong>Distribution &amp; selling %</strong></td>
<td>-49.6%</td>
<td>-51.0%</td>
<td></td>
</tr>
<tr>
<td><strong>Admin %</strong></td>
<td>-5.7%</td>
<td>-5.0%</td>
<td></td>
</tr>
<tr>
<td><strong>Property disposal gains %</strong></td>
<td>0.0%</td>
<td>0.4%</td>
<td></td>
</tr>
<tr>
<td><strong>EBIT before exceptionals</strong></td>
<td>25.6</td>
<td>16.8</td>
<td>+51.9%</td>
</tr>
<tr>
<td><strong>Operating margin %</strong></td>
<td>6.4%</td>
<td>4.5%</td>
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- GM reflects further input cost deflation, strong LFL and structural cost reduction
- Distribution & selling expenses benefiting from cost savings & operational gearing impact of LFL
- Admin costs reflect growing investment in processes and systems
Input costs and inflation

**First half:**
- Wages & salaries +2.2% inflation
- Ingredients & packaging -2.5% deflation
- Occupancy costs c.1% inflation (rates)
- Energy & fuel c.1% inflation
- Other 18%
- Other 10%
- Other 4%
- Other 27%
- Other 41%

**H2 outlook:**
- Ingredient and packaging deflation expected to continue in H2
- Wages & salary inflation +2.4%
- Energy/fuel costs neutral overall
- Overall forward cover c.5 months

**Wage costs**
- Standard hourly shop rate £7.11/hour
  - 9% higher than current NMW
- Limited short term impact from increase in NMW
  - assessing medium term impact
Driving efficiencies through our change programme

2014 structural change benefits:
• Delivered £2.4m cost reduction in H1
• Now largely annualised (further £0.6m in H2)
• Total benefit over 2014/15 = £6m in line with plan

Ongoing cost saving activity:
• Progressing well, expect c.£5-6m savings for 2015 full year
• Better processes around procurement and product management delivering lower costs and reduced waste
• Consolidation of production activity, focusing on centres of excellence in our supply chain
• Expect 2015 to be first year of net benefit from process & systems investment
### H1 tax, earnings and dividend

<table>
<thead>
<tr>
<th></th>
<th>H1 2015</th>
<th>H1 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tax charge</strong></td>
<td>21.5%</td>
<td>25.0%</td>
</tr>
<tr>
<td><strong>Diluted EPS</strong></td>
<td>19.5p</td>
<td>12.5p</td>
</tr>
<tr>
<td><strong>Interim ordinary dividend per share</strong></td>
<td>7.4p</td>
<td>6.0p</td>
</tr>
<tr>
<td><strong>Special dividend paid 17 July</strong></td>
<td>20.0p</td>
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* Excluding exceptional items impact in 2014

^ Assumes 1% rate reductions in 2017 and 2020

**Forward tax rate guidance:**
- 2015 21.50%
- 2016 22.25%
- 2017 21.50%
- 2018 21.25%

Longer term c.20%

**Aim to maintain progressive ordinary dividend policy at around 2x earnings cover, returning any material surplus capital through special dividends**
## Capital expenditure

<table>
<thead>
<tr>
<th>£m</th>
<th>2015</th>
<th>2014</th>
</tr>
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<tbody>
<tr>
<td>Refits, conversions and shop equipment</td>
<td>19.1</td>
<td>13.1</td>
</tr>
<tr>
<td>New shops and relocations</td>
<td>3.0</td>
<td>1.6</td>
</tr>
<tr>
<td>Supply chain</td>
<td>4.9</td>
<td>4.7</td>
</tr>
<tr>
<td>I.T.</td>
<td>4.3</td>
<td>1.0</td>
</tr>
<tr>
<td><strong>Total capital expenditure</strong></td>
<td><strong>31.3</strong></td>
<td><strong>20.4</strong></td>
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**Number of gross new shops opened**

| (incl. relocations, excl. franchises)   | £160k / shop | 19 | 12 |

| **Number of FOTG refits**               | £95k / shop  | 118 | 131 |
| **Café to FOTG conversions**            | £210k / shop | 12  | - |

**Full year capital expenditure expected to be c£65m (2014: £48.9m)**
Cash flow and balance sheet

- Good cash generation:
  - £34.6m net cash inflow from operating activities (H1 2014: £30.5m)

- Strong balance sheet position:
  - £41.4m net cash (June 2014: £21.6m)
  - Special dividend payment of £20.2m in July
  - Investment plans financed from cash generation
Operational progress
Roger Whiteside
To be a winning brand in the food-on-the-go market

Great-tasting fresh food

Great shopping experience

Simple & efficient operations

Improvement through change

Keeping our people, communities and values at the heart of our business
1. Great tasting fresh food

- **Always Fresh. Always Tasty.**

- Changes to product range:
  - Breakfast menu extension, including free-range egg option
  - New Balanced Choice options, all under 400kcal and rate either green or amber on the FSA traffic light system.
  - Sandwich range performing well
  - Improved drinks range, with no added sugar

- Outstanding value:
  - Successful £2 savoury plus drink deal.

- Strong pipeline of activity for second half:
  - New Pizza deal
  - New Hot sandwich range
  - New Balanced Choice options including soups and flatbreads
  - Upgraded recipes for cream cakes
2. A great shopping experience

- Improved availability and extended trading hours
- Greggs Rewards membership growing
- Refurbishment programme:
  - 118 shops refurbished to FOTG
  - Café conversions to FOTG – 12 completed
- Reshaping estate profile:
  - 44 new shops (25 franchised)
  - Closed 30 shops
  - Return to net shop growth
  - 1,664 shops inc. 70 franchised
  - Increased presence in travel, leisure and work-centered catchments
Moving to “Bakery food-on-the-go”

“Bakery” shops – 120 to relocate or close, 265 to refit by end 2016

- “Bakery” (series 1)
  - 385 shops

- “Food-on-the-go” (series 1)
  - 689 shops

- “Bakery food-on-the-go” (series 2)
  - 590 shops
3. Simple and efficient operations

- Change to four retail regions (from seven) working well
- In-store bakeries now successfully absorbed into regional bakery network
- Further gains in efficient operations from consolidation of activity
4. Improvement through change

• 5 year change programme to modernise processes and systems

• On track to introduce new ways of working around central forecasting and replenishment and customer relations

• Plans well advanced for next major phase of change; focus on core elements - finance, purchasing and retail back office administration

• Results continue to be encouraging, 2015 = first year of net benefits
Keeping people, communities and values at the heart of our business

Awarded 3 stars in the BITC CR Index

Special focus on food donation this year
Outlook for 2015
Outlook for 2015

- Strong first half reflecting LFL growth & restructuring savings
- In second half will come up against progressively stronger sales comparatives
- Strong pipeline of product initiatives
- Market conditions expected to remain favourable
- Continued cost benefits and low input inflation
- Return to net shop growth: net 20-30 expected for year

Overall, we expect to deliver a year of good growth, slightly ahead of our previous expectations, and further progress against our strategic plan