GREGGS plc

31 July 2007

GREGGS plc
INTERIM RESULTS
FOR THE 24 WEEKS ENDED 16 JUNE 2007

Greggs is the UK's leading bakery retailer specialising in sandwiches, savouries and other baker-fresh food on the go. It has over 1,300 retail outlets throughout the UK, trading under the Greggs and Bakers Oven brands.

- **Record interim diluted earnings per share* of 91.8p (2006: 72.0p): up 27.5%**
- **Record interim dividend of 46.0p (2006: 38.0p): up 21.0%**
- **Building on 22 consecutive years of dividend growth**
- Sales up 5.2% to £256m (2006: £243m): like-for-like sales up 4.6%
- Operating profit* up 24.5% to £14.2m (2006: £11.4m)
- Pre-tax profit* up 18.3% to £14.8m (2006: £12.5m)
- £7.6m returned to shareholders through share buybacks in 2007 to date
- Realising planned benefits of Bakers Oven restructuring
- Working to create more unified, customer-focused, national Greggs brand
- Extending trials of innovative products and concepts
- Good start to long-term brand-building campaign

"I am pleased to report encouraging results for the first half which restore operating profit to the record level achieved in 2005.

"Like-for-like sales in the first five weeks of the second half increased by 4.1 per cent, despite the effects of very adverse weather. Comparatives grow steadily more demanding as the period progresses and we face significant cost increases in a number of our key ingredients, together with additional central overheads. Taking these factors together, we believe that our trading performance for the second half is likely to be closer to that of the comparable period in 2006.

"Overall, we continue to expect that this will be a year of satisfactory progress for Greggs, and that the strategic changes we are implementing will provide us with a strong platform for growth in the medium and longer term."

- Sir Michael Darrington, Managing Director

* Excluding £2.0m pre-tax property profit on bakery site disposals

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High resolution images are available for the media to view and download from www.vismedia.co.uk

MANAGING DIRECTOR'S INTERIM STATEMENT

I am pleased to report encouraging results for the first half which restore operating profit to the record level achieved in 2005. Our progress reflects improved like-for-like sales growth and the benefits of the restructuring of Bakers Oven completed last year. It is particularly encouraging to be able to report record earnings per share in a period during which we started to implement our major strategic change programme. This is creating a stronger, more unified, national Greggs brand which will begin to deliver benefits in 2008 and enhance the longer term growth potential of the Group.

Results

Group sales for the first half (24 weeks to 16 June 2007) increased by 5.2 per cent to £255.9 million (2006: £243.1 million), including like-for-like sales growth of 4.6 per cent. As reported at our AGM in May, like-for-like sales for the first 18 weeks of the period increased by 4.9 per cent; this slowed to 3.7 per cent in the final six weeks, mainly reflecting the period of exceptionally wet weather in June. Core volumes over the first half as a whole rose by 0.6 per cent, after retail selling price inflation of 4.0 per cent.

Operating profit (excluding property gains) grew by 24.5 per cent to £14.2 million (2006: £11.4 million), taking it back to the record level achieved in 2005. An additional £2.0 million net property profit arises from the disposal of bakery sites in Newcastle upon Tyne, Glasgow and Manchester. This principally relates to the sale of the redundant Carricks bakery site in Newcastle, formerly the headquarters of Bakers Oven North, which was announced in December 2006. The other disposals are linked to our relocation to improved facilities in Scotland and the North West.

Net finance income reduced by 47.6 per cent to £0.6 million (2006: £1.1 million) as our programme to return surplus cash to shareholders resulted in lower average cash balances during the period. Profit before taxation, excluding the property profit, grew by 18.3 per cent to £14.8 million (2006: £12.5 million), while diluted earnings per share on the same basis increased by 27.5 per cent to a record 91.8 pence (2006: 72.0 pence).

Including the one-off net property profit, pre-tax profit was £16.7 million (2006: £12.5 million) and diluted earnings per share were 104.0 pence (2006: 72.0 pence).

Cash flow, dividend and share buyback programme

The Group remains strongly cash generative and ended the first half with cash balances of £26.3 million (2006: £25.5 million). The Board remains committed to delivering value to shareholders through the return of surplus cash through both a progressive dividend policy and a continuing share buyback programme.

In accordance with this policy, the Board has declared an increased interim dividend of 46.0 pence per share (2006: 38.0 pence), a rise of 21.0 per cent. This is covered 2.0 times by diluted earnings per share excluding the property profit. The interim dividend will be paid on 1 October 2007 to those shareholders on the register at the close of business on 7 September 2007.

During the first half of the financial year, the Company purchased for cancellation 66,172 of its ordinary shares at an average price of £50.80 and a total cost of £3.4 million. Since the beginning of the second half, it has purchased a further 85,000 ordinary shares at an average price of £49.70 and a total cost of £4.3 million. It is the Board's intention to continue buying back shares in the market when it considers it to be in the interests of our shareholders to do so.

Trading highlights

We enjoyed positive trading conditions for most of the first half, with improved footfall on the high street and generally favourable weather. Somewhat slower growth towards the end of the period reflected the impact of exceptionally high rainfall in June, at a time when many retailers were also beginning to report some impact on consumer confidence from rising interest rates. We have benefited from an increase in the number of our shops trading on Sundays, and from the extension of our weekday opening hours in appropriate locations.

Greggs brand UK. Like-for-like sales under the Greggs brand in the UK increased by 4.8 per cent, including core volume growth of 0.4 per cent. We are steadily progressing the many initiatives arising from our strategic review in 2006, including the recruitment of additional senior personnel and the redeployment of some divisional management to create a much more unified and centrally driven national brand.

We are continuing trials of a number of innovative products and concepts, seeking to cater for more aspirational demands while retaining our traditional strengths in classic bakery products that deliver great taste and enjoyment at competitive prices. These trials are being extended to an increased number of locations with a view to embarking on their roll-out in 2008. Our Healthier Options range of wraps, rolls and sandwiches continues to meet the needs of our customers seeking to reduce their intake of fat, saturated fat and salt, and the range will be further developed during the second half.

Work has begun with the aim of creating a much more unified product offer through harmonisation across our divisions, and the application of best practice nationwide.

We have been encouraged by the early results of the first phase of our £3 million integrated marketing campaign, using national TV and radio, posters and the internet to build awareness of the Greggs brand. The second phase of this nationwide campaign, building on the lessons of our initial burst of advertising, will be launched in September.

All the actions we are taking to increase our customer focus and to build a stronger and more unified Greggs brand are expected to begin delivering their real benefits in 2008 and beyond.

Bakers Oven brand. Like-for-like sales under the Bakers Oven brand grew by 3.6 per cent, including core volume growth of 1.5 per cent after selling price inflation of 2.1 per cent. We are achieving all the expected benefits of the restructuring of this business announced a year ago, which has delivered significant cost savings and allowed the Bakers Oven management team to focus on the development of their profitable operations in the Midlands and South.

Greggs Continental Europe. Our Belgian operations in Antwerp and Leuven have continued to progress as planned. Since the beginning of the second half, we have taken the opportunity to purchase a small chain of five shops in Brussels, enabling us to extend our operations into the capital. These will be comprehensively refurbished in the Greggs format over the next 12-18 months.

Shop openings and refurbishments

We opened 22 new shops during the first half and closed 17, giving us a net addition of five outlets making a total of 1,341 at 16 June. The whole of the net addition was to the Greggs brand in the UK, which comprised 1,170 units at the end of the first half. Greggs Belgian shop numbers at this date were unchanged at six though, as noted above, the chain has since been expanded to 11 units through a small acquisition. There was no change to Bakers Oven shop numbers at 165.

We remain on track to add a net 20–25 new shops to our portfolio over the year as a whole.

During the first half we gave priority to refreshing a significant proportion of the Greggs chain, comprising some 350 shops. This has involved softening the somewhat strident colours of our previous takeaway-orientated design, using a palette more in keeping with our bakery image. At a relatively low cost per unit, this has created a significantly more attractive shopping environment for our customers.

In addition to this major programme of improvements, we completed 12 comprehensive shop refurbishments and nine minor refits during the period under review.

Capital investment

There was a substantial increase in our capital expenditure during the first half to £20.5 million (2006: £13.5 million). This principally reflected the main phase of construction of our new Glasgow bakery, which is scheduled for completion in September and will be commissioned in the latter part of the year. We also increased our expenditure on shop refurbishment. As previously announced, we expect total capital expenditure for the year to be £39 million, compared with £30 million in 2006.

People, the community and the environment

This is a time of considerable change for everyone in Greggs, as we implement the programme arising from our strategic review. All these initiatives are intended to deliver benefits over the next two to three years rather than immediately, and it is a particular credit to our staff that they have delivered improved results against this background.

We remain committed to playing an active and positive role in the communities where we operate, through the continuing work of the Greggs Trust and Greggs Breakfast Clubs, and long-established fund-raising efforts such as our regional fun runs for children's cancer charities. Following our successful first participation in the BBC's Children in Need appeal in 2006, our staff are already making plans for a significantly increased fund-raising effort in the current year.

Business efficiency and environmental awareness go hand in hand in our continuing initiatives to make the most effective use of energy and to reduce our carbon emissions in our production facilities and shops, as well as increasing recycling and reducing the amount of food waste sent to landfill.

Outlook

Like-for-like sales in the first five weeks of the second half increased by 4.1 per cent, despite the effects of very adverse weather including a number of shop closures due to flooding. Operating profit for these five weeks was ahead of the comparable period in the previous year.

While this is an encouraging start, it should be noted that it compares with a period of negligible like-for-like growth last year, and that comparatives will grow steadily more demanding as the second half progresses. In addition, we face significant cost increases in a number of our key ingredients, including flour, dairy products and other fats, together with additional central overheads as we strengthen the senior team charged with building and leading the more unified, national Greggs brand. We shall be seeking to recover these higher costs in a climate where consumer confidence has been dampened by rising interest rates. Finally, we will incur some short term commissioning and double running costs in Scotland as our new Glasgow bakery comes on stream.

Taking these factors together, we believe that our trading performance for the second half is likely to be closer to that of the comparable period in 2006.

Overall, we continue to expect that this will be a year of satisfactory progress for Greggs, and that the strategic changes we are implementing will provide us with a strong platform for growth in the medium and longer term.

Sir Michael Darrington
Managing Director
31 July 2007

Consolidated income statement
For the 24 weeks ended 16 June 2007

	24 weeks ended 16 June 2007			24 weeks ended 17 June 2006	52 weeks ended 30 December 2006		
	Excluding Property disposals	**Property disposals**	**Total**		Excluding Bakers Oven restructuring	Bakers Oven restructuring	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000	£'000
Revenue	**255,878**	**-**	**255,878**	243,135	550,849	-	550,849
Cost of sales	**(97,048)**	**1,960**	**(95,088)**	(94,058)	(209,455)	(68)	(209,523)
Gross profit	**158,830**	**1,960**	**160,790**	149,077	341,394	(68)	341,326
Distribution and selling costs	**(126,189)**	**-**	**(126,189)**	(120,241)	(262,917)	(2,947)	(265,864)
Administrative expenses	**(18,414)**	**-**	**(18,414)**	(17,405)	(36,232)	(483)	(36,715)
Operating profit	**14,227**	**1,960**	**16,187**	11,431	42,245	(3,498)	38,747
Finance income	**561**	**-**	**561**	1,065	1,579	-	1,579
Finance expenses	**(5)**	**-**	**(5)**	(3)	(87)	-	(87)
Profit before tax	**14,783**	**1,960**	**16,743**	12,493	43,737	(3,498)	40,239
Income tax	**(4,835)**	**(640)**	**(5,475)**	(3,998)	(14,227)	1,049	(13,178)
Profit for the period attributable to equity holders of the parent	**9,948**	**1,320**	**11,268**	8,495	29,510	(2,449)	27,061
Basic earnings per share			**104.9p**	72.4p			241.2p
Diluted earning per share			**104.0p**	72.0p			239.9p

Consolidated statement of recognised income and expense
For the 24 weeks ended 16 June 2007

	24 weeks ended 16 June 2007	24 weeks ended 17 June 2006	52 weeks ended 30 December 2006
	£'000	£'000	£'000
Actuarial gains on defined benefit pension plans	**2,817**	1,323	2,741
Tax on items taken directly to equity	**(845)**	(397)	(822)
Net income recognised directly in equity	**1,972**	926	1,919
Profit for the period	**11,268**	8,495	27,061
Total recognised income and expense for the period attributable to equity holders of the parent	**13,240**	9,421	28,980

Consolidated balance sheet
As at 16 June 2007

	16 June 2007	17 June 2006	30 December 2006
	£'000	£'000	£'000
ASSETS			
Non-current assets			
Property, plant and equipment	**189,583**	183,289	184,325
Defined benefit pension asset	**934**	-	-
	190,517	183,289	184,325
Current assets			
Inventories	**8,467**	7,913	8,429
Trade and other receivables	**19,424**	22,085	16,026
Cash and cash equivalents	**26,319**	25,496	19,585
Asset held for sale	**-**	-	275
	54,210	55,494	44,315
Total assets	**244,727**	238,783	228,640
LIABILITIES			
Current liabilities			
Trade and other payables	**(75,708)**	(72,231)	(61,295)
Current tax liabilities	**(6,092)**	(4,794)	(5,467)
	(81,800)	(77,025)	(66,762)
Non-current liabilities			
Defined benefit pension liability	**-**	(8,911)	(1,883)
Other payables	**(88)**	(98)	(90)
Deferred tax liability	**(15,859)**	(12,713)	(15,014)
	(15,947)	(21,722)	(16,987)
Total liabilities	**(97,747)**	(98,747)	(83,749)
Net assets	**146,980**	140,036	144,891
EQUITY			
Capital and reserves			
Issued capital	**2,219**	2,289	2,232
Share premium account	**13,533**	13,471	13,533
Capital redemption reserve	**220**	150	207
Retained earnings	**131,008**	124,126	128,919
Total equity attributable to equity holders of the parent	**146,980**	140,036	144,891

Consolidated statement of cash flows
For the 24 weeks ended 16 June 2007

	24 weeks ended 16 June 2007 £'000	24 weeks ended 17 June 2006 £'000	52 weeks ended 30 December 2006 £'000
Operating activities			
Cash generated from operating activities (see below)	**36,026**	29,892	66,185
Income tax paid	**(4,850)**	(6,901)	(13,600)
Net cash inflow from operating activities	**31,176**	22,991	52,585
Cash flows from investing activities			
Acquisition of property, plant and equipment	**(20,522)**	(13,545)	(30,023)
Proceeds from sale of property, plant and equipment	**6,875**	511	1,599
Government grant received	**200**	-	-
Interest received	**557**	1,065	1,579
Net cash outflow from investing activities	**(12,890)**	(11,969)	(26,845)
Cash flows from financing activities			
Defined benefit pension scheme special contribution	**-**	-	(5,500)
Interest paid	**(5)**	(3)	(74)
Proceeds from issue of share capital	**-**	31	93
Sale of own shares	**218**	1,443	1,809
Purchase of own shares	**-**	(16,437)	(16,436)
Shares purchased and cancelled	**(3,395)**	(28,183)	(39,544)
Dividends paid	**(8,370)**	(7,979)	(12,105)
Net cash outflow from financing activities	**(11,552)**	(51,128)	(71,757)
Net increase / (decrease) in cash and cash equivalents	**6,734**	(40,106)	(46,017)
Cash and cash equivalents at the start of the period	**19,585**	65,602	65,602
Cash and cash equivalents at the end of the period	**26,319**	25,496	19,585

Cash flow statement – cash generated from operations

	24 weeks ended 16 June 2007 £'000	24 weeks ended 17 June 2006 £'000	52 weeks ended 30 December 2006 £'000
Profit for the period	**11,268**	8,495	27,061
Depreciation	**11,022**	10,674	23,884
(Profit) / loss on sale of property, plant and equipment	**(1,875)**	(103)	753
Release of government grants	**(2)**	(4)	(8)
Share based payment expenses	**396**	265	687
Finance income	**(561)**	(1,065)	(1,579)
Finance expenses	**5**	3	87
Income tax expense	**5,475**	3,998	13,178
Increase in inventories	**(38)**	(200)	(716)
Increase in debtors	**(3,398)**	(6,224)	(165)
Increase in creditors	**13,534**	13,549	2,609
Movement in pension liability	**200**	504	394
Cash from operating activities	**36,026**	29,892	66,185

Notes

1. Basis of preparation

The interim financial information has been prepared on the basis of the accounting policies adopted in the Company's statutory accounts for the 52 weeks ended 30 December 2006, as revised for the implementation of specified new or amended endorsed standards or interpretations.

2. Status of financial information

The interim information for the 24 weeks ended 16 June 2007 and 17 June 2006 has not been audited or reviewed by the auditors.

The comparative figures for the 52 weeks ended 30 December 2006 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

3. Dividends

The following tables analyse dividends when paid and the year to which they relate:

Dividend declared	**24 weeks ended 16 June 2007**	24 weeks ended 17 June 2006	52 weeks ended 30 December 2006
	Pence per share	Pence per share	Pence per share
2005 final dividend	**-**	70.0p	70.0p
2006 interim dividend	**-**	-	38.0p
2006 final dividend	**78.0p**	-	-
	78.0p	70.0p	108.0p

	24 weeks ended 16 June 2007 £'000	24 weeks ended 17 June 2006 £'000	52 weeks ended 30 December 2006 £'000
Total dividend payable			
2005 final dividend	**-**	8,013	8,013
2006 interim dividend	**-**	-	4,092
2006 final dividend	**8,386**	-	-
Total dividend paid in period	**8,386**	8,013	12,105
Dividend proposed at period end and not included as a liability in the accounts			
2006 interim dividend (38.0p per share)	**-**	4,085	-
2006 final dividend (78.0 p per share)	**-**	-	8,706
2007 interim dividend (46.0p per share)	**4,880**	-	-
	4,880	4,085	8,706

The proposed interim dividend in respect of 2007 of 46.0p per share will be paid on 1 October 2007 to shareholders on the register at close of business on 7 September 2007.

4. Share capital and reserves

Reconciliation of movement in capital and reserves attributable to equity shareholders

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	**Total £'000**
At 31 December 2006	2,232	13,533	207	128,919	**144,891**
Total recognised income and expense	-	-	-	13,240	**13,240**
Shares purchased and cancelled	(13)	-	13	(3,395)	**(3,395)**
Sale of own shares	-	-	-	218	**218**
Share based payments	-	-	-	396	**396**
Equity dividends	-	-	-	(8,370)	**(8,370)**
At 16 June 2007	**2,219**	**13,533**	**220**	**131,008**	**146,980**

5. Earnings per share

Adjusted earnings per share figures have been calculated for the 24 weeks ended 16 June 2007 which exclude the effect of the property disposals. These have been calculated by dividing profit attributable to ordinary shareholders excluding property disposals by the relevant weighted average number of shares.

Profit attributable to ordinary shareholders

	24 weeks ended 16 June 2007			24 weeks ended 17 June 2006	52 weeks ended 30 December 2006		
	Excluding Property disposals £'000	**Property disposals £'000**	**Total £'000**	£'000	Excluding Bakers Oven restructuring £'000	Bakers Oven restructuring £'000	Total £'000
Profit for the period attributable to equity holders of the parent	**9,948**	**1,320**	**11,268**	8,495	29,510	(2,449)	27,061
Basic earnings per share	**92.6p**	**12.3p**	**104.9p**	72.4p	263.0p	(21.8)p	241.2p
Diluted earning per share	**91.8p**	**12.2p**	**104.0p**	72.0p	261.6p	(21.7)p	239.9p

The number of ordinary shares in issue at 16 June 2007 was 11,095,391 (17 June 2006: 11,443,869, 30 December 2006: 11,161,563). The weighted average number of ordinary shares outstanding during the period was 10,741,124 (24 weeks ended 17 June 2006: 11,733,251, 52 weeks ended 30 December 2006: 11,220,493).

6. Defined benefit pension scheme

The valuation of the defined benefit pension scheme for the purposes of IAS19 as at 30 December 2006 has been updated as at 16 June 2007 and the movements have been reflected in this interim statement.

7. Interim report

The interim report is being posted to all shareholders and copies are available on application to the Company Secretary, Greggs plc, Fernwood House, Clayton Road, Jesmond, Newcastle upon Tyne, NE2 1TL. It will also be available on the Company's website, www.greggs.plc.uk.