2 August 2002

GREGGS plc
INTERIM RESULTS
FOR THE 24 WEEKS ENDED 15 JUNE 2002

Greggs is the UK's leading retailer specialising in sandwiches, savouries and other bakery products, with a particular focus on takeaway food and catering. It has over 1,150 retail outlets throughout the UK, trading principally under the Greggs and Bakers Oven brands.

- **Record interim pre-tax profit of £10.8 million – up 13.4 per cent**
- **Building on ten consecutive years of profit, earnings and dividend growth**
- Diluted earnings per share up 9.0 per cent to 60.8 pence †
- Interim dividend up 11.9 per cent to 23.5 pence per share
- Like-for-like sales up 7.6 per cent - core volume growth of 4.5 per cent
- Further strong growth in takeaway sandwiches and savouries
- 24 net shop openings in first half - on track for 50 planned net openings during year
- Good results from new Greggs shop format
- Net cash balances of £29.8 million at end of first half

† based on 2001 earnings per share as restated following the adoption of FRS19 Deferred Tax

"We have made a solid start to the second half. Like-for-like sales in the six weeks to 27 July are up 6.8 per cent, albeit compared with a relatively weak period last year when trade was adversely affected by hot weather. As we have stated before, our budgeted growth rates moderate as the current year progresses, taking into account the particularly strong growth in the latter part of last year. Costs generally appear stable for the remainder of this year, apart from the substantial increase in insurance premiums we are bearing in common with other retailers and manufacturers. Overall, we remain confident of achieving satisfactory progress over the year as a whole."

- Mike Darrington, Managing Director

ENQUIRIES:

Greggs plc
Mike Darrington, Managing Director
Malcolm Simpson, Financial Director
Tel: 020 7796 4133 on Friday, 2 August only
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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

We have achieved good progress in the first 24 weeks of 2002, with pre-tax profits increasing by 13.4 per cent. This is a pleasing result, given the significant impact of the additional Jubilee bank holiday, and builds on ten consecutive years of profit, earnings and dividend growth. Our progress continues to be driven by the strong performance of the main takeaway food categories of sandwiches and savouries, particularly under the Greggs brand; it also reflects the benefits of our substantial past investment in brands, shops, factories and people.

Results

Sales in the first half (24 weeks) increased by 13.2 per cent to £183.0 million. Like-for-like sales rose by 7.6 per cent, including core volume growth of 4.5 per cent. As the Chairman reported at the AGM in May, we had budgeted for like-for-like growth rates to moderate as the year progressed, given the exceptionally strong comparatives in the latter part of the year. This underlying trend was exacerbated by the loss of trade arising from the additional Jubilee bank holiday in June, which reduced the Group's first half profit growth by some £0.5 million. Despite this, we achieved a 13.0 per cent increase in operating profit to £10.3 million. After increased interest receivable of £0.5 million (2001: £0.4 million), pre-tax profit was up 13.4 per cent at £10.8 million. Diluted earnings per share rose by 9.0 per cent to 60.8 pence, compared with 55.8 pence in 2001, restated to reflect our adoption of the FRS 19 accounting standard on deferred tax.

Dividend

The Board has declared an increased interim dividend of 23.5 pence per share (2001: 21.0 pence), a rise of 11.9 per cent. This will be paid on 4 October 2002 to shareholders on the register at the close of business on 6 September 2002. We retain our long-established commitment to a progressive dividend policy that provides shareholders with increases in their income broadly in line with the growth of earnings per share over the medium term.

Trading highlights

The weather was generally favourable to our business throughout the period under review, with few of the climatic extremes that tend to deter daily purchase and consumption of bakery products. Although like-for-like sales growth slowed from 9.6 per cent in the first quarter to 5.8 per cent in the second quarter, the latter figure was distorted by the additional bank holiday closure and underlying progress was in line with our expectations. Selling price increases of 3.1 per cent reflected our continuing programme of product improvement as well as the recovery of cost increases in wages, ingredients and insurance.

Takeaway food remained the main driver of the business, with our strongest growth again being achieved in sandwiches and savouries, and in complementary areas such as cold drinks. Sales of cakes and other confectionery lines remained relatively stable, while bread and rolls again declined as a proportion of our trade.

Greggs. The Greggs brand continued to generate the bulk of Group profits and to achieve strong sales growth. Like-for-like sales during the first half were up 8.8 per cent, including a core volume uplift of 6.1 per cent. Our businesses in the South and Midlands were again our best performers, with Greggs of Twickenham making further excellent progress and Greggs of Enfield achieving very good results. These two operations will be integrated to form a single South East division from 2003. Greggs of the Midlands also recorded strong progress. Our 50 Birketts shops in Cumbria, Lancashire and southern Scotland have all been successfully converted to the Greggs fascia, and subsequent sales performance has been good. This was the final phase of our brand harmonisation programme in the Greggs divisions, and we expect to achieve growing benefits from the promotion of a single brand nationwide in addition to the obvious economies it permits in areas such as advertising, packaging and point of sale material.

The new Greggs shop format, designed to enhance the display and accessibility of our key takeaway food ranges, continues to be well received by customers and is contributing to our strong sales performance. This concept has now been extended to 212 locations through new shop openings and refurbishments, and will be progressively rolled out.

Bakers Oven. Like-for-like sales under the Bakers Oven brand increased by 3.8 per cent, though core volumes were 0.4 per cent lower than in the comparable period last year. Selling price increases of 4.2 per cent were higher than in the Greggs divisions as a result of Bakers Oven's even stronger focus on product improvement.

Although overall performance remained disappointing, Bakers Oven Midlands continued to perform satisfactorily while Bakers Oven South made pleasing progress, responding positively to the management changes we made last year. New management was installed in Bakers Oven North in May, and we are looking at ways to strengthen the business in Scotland, where the catering market has proved particularly difficult.

Continental Europe. We continue our research into the potential for our brands in Continental markets, and have appointed a local manager to begin the active development of our business outside the UK. Our prudent approach to site acquisition has meant that the opening of our first shops on the Continent is likely to be later than originally planned, though we remain hopeful that an initial pilot unit will be trading by the end of the current year.

Retail profile

We opened 33 new shops during the first half and closed nine, giving us a net increase of 24 to a total of 1,168 units at 15 June. Of these, 933 were under the Greggs brand and 235 under the Bakers Oven fascia. We are on track to meet our target of making a net addition of 50 new shops during the current year. A total of 35 shops were refurbished during the first half, of which 20 were new format Greggs outlets.

Investment and finances

Capital expenditure during the first half increased as planned to £14.0 million, compared with £9.8 million in the same period last year. This reflected principally the faster rate of shop openings and refurbishments, though we are also increasing our investment in production facilities to keep pace with our retail expansion. This year's largest single project is a £4 million warehouse at Balliol Park in Newcastle upon Tyne, designed to increase storage capacity for frozen savouries so that we can meet fast-growing demand and maximise the potential of our adjacent production unit. Over the year as a whole, we plan to invest £37.5 million in new assets, compared with £27.4 million last year.

The strength of our cash flow is illustrated by the continued robustness of our balance sheet, with net cash balances at the end of the first half of £29.8 million, compared with £25.4 million at the same point last year, and £30.0 million at the year end in December.

The Board

Further to our announcement in February 2002 of his appointment as Chairman designate, Derek Netherton has taken over from Ian Gregg as non-executive Chairman of the Group with immediate effect. Ian Gregg will remain a non-executive director for the time being, and we are taking steps to add to the number of independent non-executive directors on the Board.

People

Our people remain critical to the success of the business, and our results reflect the hard work of all our 16,500 employees in delivering safe, tasty and enjoyable products and high standards of customer service. We have also continued to benefit from our consistent investment over many years in training and development.

Outlook

We have made a solid start to the second half. Like-for-like sales in the six weeks to 27 July are up 6.8 per cent, albeit compared with a relatively weak period last year when trade was adversely affected by hot weather. As we have stated before, our budgeted growth rates moderate as the current year progresses, taking into account the particularly strong growth in the latter part of last year. Costs generally appear stable for the remainder of this year, apart from the substantial increase in insurance premiums we are bearing in common with other retailers and manufacturers. Overall, we remain confident of achieving satisfactory progress over the year as a whole.

Mike Darrington
Managing Director

GROUP PROFIT AND LOSS ACCOUNT

FOR THE 24 WEEKS ENDED 15 JUNE 2002

	24 weeks to 15 June 2002 £'000	24 weeks to 16 June 2001 £'000 As restated*	52 weeks to 29 December 2001 £'000
TURNOVER	182,973	161,708	377,556
OPERATING PROFIT	10,337	9,149	31,597
Net interest receivable	504	411	1,145
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	10,841	9,560	32,742
Taxation	(3,545)	(2,897)	(9,933)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	7,296	6,663	22,809
Dividends	(2,824)	(2,519)	(7,663)
RETAINED PROFIT FOR THE PERIOD	4,472	4,144	15,146
Basic earnings per share	61.9p	56.6p	190.2p
Diluted earnings per share	60.8p	55.8p	187.7p

*Whilst not mandatory until 2002, FRS 19 'Deferred tax' was adopted for the first time at the end of 2001. This has resulted in a restatement of the interim figures for 2001.

GROUP BALANCE SHEET AT 15 JUNE 2002

	15 June 2002 £'000	16 June 2001 £'000 As restated*	29 December 2001 £'000
FIXED ASSETS			
Tangible assets	130,582	115,728	124,123
Investments	3,563	3,563	3,563
	134,145	119,291	127,686
CURRENT ASSETS			
Stocks	6,047	5,799	6,275
Debtors	14,155	12,403	12,406
Cash at bank and in hand	32,480	29,075	30,027
	52,682	47,277	48,708
CREDITORS: amounts falling due within one year	(65,883)	(62,823)	(60,762)
NET CURRENT LIABILITIES	(13,201)	(15,546)	(12,054)
TOTAL ASSETS LESS CURRENT LIABILITIES	120,944	103,745	115,632
CREDITORS: amounts falling due after more than one year	(109)	(122)	(109)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	(12,589)	(11,189)	(11,969)
	108,246	92,434	103,554
CAPITAL AND RESERVES			
Called up share capital	2,404	2,399	2,400
Share premium account	10,010	9,677	9,794
Profit and loss account	95,832	80,358	91,360
Equity shareholders' funds	108,246	92,434	103,554

*Whilst not mandatory until 2002, FRS 19 'Deferred tax' was adopted for the first time at the end of 2001. This has resulted in a restatement of the interim figures for 2001.

SUMMARISED GROUP CASH FLOW STATEMENT

FOR THE 24 WEEKS ENDED 15 JUNE 2002

	24 weeks to 15 June 2002		24 weeks to 16 June 2001		52 weeks to 29 December 2001	
	£'000	£'000	£'000	£'000	£'000	£'000
Operating profit		10,337		9,149		31,597
Depreciation		7,468		6,796		14,907
(Profit) / loss on disposal of fixed assets		(99)		108		(248)
Release of government grants		(3)		(11)		(24)
Decrease / (increase) in stocks	228		(163)		(639)	
Increase in debtors	(1,749)		(510)		(513)	
Increase in creditors	5,380		7,391		5,338	
Net increase in working capital		3,859		6,718		4,186
NET CASH INFLOW FROM CONTINUING OPERATING ACTIVITIES		21,562		22,760		50,418
Returns on investments and servicing of finance		504		411		1,145
Taxation paid		(3,535)		(726)		(6,005)
Capital expenditure and financial investments		(13,828)		(9,347)		(25,497)
Equity dividends paid		(5,123)		(4,581)		(7,067)
Net cash inflow / (outflow) from financing		220		(815)		(1,842)
Net (decrease) / increase in cash		(200)		7,702		11,152

NOTES

1. The interim results are unaudited.
2. The comparative figures for the 52 weeks ended 29 December 2001 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 and did not contain a statement under Section 237(2) or (4) of the Companies Act 1985.
3. The interim report is being posted to all shareholders and copies are available on application to the Secretary, Greggs plc, Fernwood House, Clayton Road, Jesmond, Newcastle upon Tyne, NE2 1TL.