interim statement 2003

GREGGS
plc

managing director's interim statement

We maintained satisfactory progress throughout the first 24 weeks, with pre-tax profit increasing by 13.3 per cent. This represents underlying profit growth of some 8.3 per cent when adjusted for the impact of the extra Jubilee bank holiday last year. Our progress continued to be driven by the main takeaway food categories of savouries, sandwiches, sweet goods and drinks, and benefited from our long-standing strategy of investment in our brands, shops, products, factories and people.

RESULTS

Sales in the first half (24 weeks) increased by 9.9 per cent to £201.1 million (2002: £183.0 million). Like-for-like sales rose by 4.7 per cent, including core volume growth of 3.0 per cent. Our like-for-like performance in the final weeks of the period benefited from non-recurrence of the additional Jubilee bank holiday held in June 2002. Adjusted for this, the underlying like-for-like sales increase was 4.0 per cent.

Operating profit increased by a total of 14.3 per cent to £11.8 million (2002: £10.3 million), including £0.5 million attributable to non-recurrence of last year's extra bank holiday. The underlying increase, adjusted for this, was 9.0 per cent.

After interest receivable of £0.5 million, broadly in line with the comparable period last year, pre-tax profit increased by 13.3 per cent to £12.3 million (2002: £10.8 million) and diluted earnings per share rose by 13.7 per cent to 69.1 pence (2002: 60.8 pence).

DIVIDEND

The Board has declared an increased interim dividend of 25.5 pence per share (2002: 23.5 pence), a rise of 8.5 per cent. This will be paid on 3 October 2003 to shareholders on the register at the close of business on 5 September 2003. 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

We benefited from a generally benign trading climate throughout the first half, with few periods of extreme weather and reasonable levels of customer footfall on the high street. There were significant cost increases in wages and insurance, with the rise in employers' National Insurance contributions also impacting from the beginning of April. Ingredient costs were generally stable, though those commodities linked to the strong euro are expected to increase in price in the second half. We increased our retail prices by an average of 1.7 per cent, again reflecting our continuous programme of product upgrades as well as the recovery of higher costs.

The main driver of the business remained takeaway food, with savouries making strong progress and sandwiches also showing further growth, albeit at a slightly lower rate than in the recent past. The complementary categories of drinks, cakes and confectionery products also performed well, while the proportion of our business generated by bread and rolls continued to decline.

Greggs. The Greggs brand remained the main generator of Group profits. Like-for-like sales during the first half grew by 5.4 per cent, including a core volume increase of 3.7 per cent. Our business in Scotland continued to perform strongly. However, the results of the recently merged South East division were disappointing, partly as the result of disruption caused by a major bakery redevelopment in Enfield, which will increase its capacity by over 50 per cent.

Our first two Greggs shops outside the UK opened early in 2003 at Antwerp and Leuven in Belgium, and sales there have grown steadily after a slow start. Our local team are working hard to refine our concept and build consumer awareness, and we expect to open up to two more shops in Belgium during the next six months.

Bakers Oven. The Bakers Oven divisions achieved a small increase in their profit contribution to the Group. Like-for-like sales increased by 2.4 per cent, including core volume growth of 0.6 per cent. This improved performance, compared with a like-for-like volume decline last year, was driven predominantly by the Midlands and South divisions.

RETAIL PROFILE

We opened 33 new shops during the first half and closed 24. Seven of these closures were re-sites, and the remainder were mainly Bakers Oven units. This gave us a net increase of nine to 1,211 shops at 14 June. We now expect to add a net total of some 35 shops during the current year. We completed 29 shop refurbishments during the current half, continuing our roll-out of the new Greggs format. However, we are temporarily slowing the pace of these conversions as we refine the format to re-emphasise our bakery heritage, and examine opportunities to drive down costs.

INVESTMENT AND FINANCE

Capital expenditure during the first half was £14.7 million (2002: £14.0 million). In addition to the redevelopment of our Enfield bakery, we are investing to expand our production capacity at Birmingham, Edinburgh, Manchester and Leeds, to keep pace with the recent and planned growth of our retail portfolio. Capital expenditure for the current year is now estimated at around £36 million, compared with our original budget of £40 million.

Operating cash flow remained strong and we continue to enjoy a very robust balance sheet with net cash at the end of the first half of £26.8 million. This compares with £28.6 million at the end of our financial year in December 2002, and £29.8 million at the end of the previous first half.

PEOPLE

The continued growth of the business has created more than 1,000 new jobs over the last 12 months, and we now employ over 17,600 people.
We depend on them all to deliver products that are safe, tasty and enjoyable, and to provide levels of friendly service that keep our customers coming back day after day. Our recognition of the importance of our people is reflected in our mission statement, which has making Greggs 'A Great Place to Work' as the first of our strategic objectives. We have continued to make progress in developing our culture, raising our standards, and creating the widest possible range of opportunities for individual training and development.

OUTLOOK

We have made a relatively slow start to the second half, reflecting comparison with an excellent trading period last year and the impact of the unfavourably hot weather. Like-for-like sales in the seven weeks to 2 August are up 1.5 per cent whilst profits are below those of the comparable period in 2002. Cost inflation will be higher in the second half than the first, with increasing pressure on some ingredient prices from the strengthening of the euro as well as a full 28 weeks of additional National Insurance contributions. The final outcome for the year will be affected by the timing of the recovery in sales from the impact of the hot weather, but we believe that the strengths of our brands, formats and people leave us well placed to maintain progress even in an undoubtedly more challenging trading environment. We intend to provide a further update on our sales performance in October.

Mike Darrington
Managing Director
7 August 2003

Interim statement 2003

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 1,200 retail outlets throughout the UK, trading principally under the Greggs and Bakers Oven brands.

We maintained satisfactory progress throughout the first 24 weeks. We have made a relatively slow start to the second half, reflecting comparison with an excellent trading period last year and the impact of the unfavourably hot weather. Like-for-like sales in the seven weeks to 2 August are up 1.5 per cent whilst profits are below those of the comparable period in 2002. The final outcome for the year will be affected by the timing of the recovery in sales from the impact of the hot weather, but we believe that the strengths of our brands, formats and people leave us well placed to maintain progress even in an undoubtedly more challenging trading environment.

- Record interim pre-tax profit of £12.3 million - up 13.3 per cent
- Building on 11th consecutive year of profit, earnings and dividend growth
- Diluted earnings per share up 13.7 per cent to 69.1 pence
- Interim dividend up 8.5 per cent to 25.5 pence per share
- Like-for-like sales up 4.7 per cent - 4.0 per cent adjusted for Jubilee effect
- 33 new shops opened: net addition of nine to 1,211 units after closures
- Major investments in additional bakery capacity
- Net cash balances of £26.8 million at end of first half

Mike Darrington Managing Director

group profit and loss account

for the 24 weeks ended 14 June 2003

	24 weeks to 14 June 2003 £'000	24 weeks to 15 June 2002 £'000	52 weeks to 28 December 2002 £'000
Turnover	**201,117**	182,973	422,600
Operating profit	**11,814**	10,337	35,334
Net interest receivable	**465**	504	1,332
Profit on ordinary activities before taxation	**12,279**	10,841	36,666
Taxation	**(4,015)**	(3,545)	(11,980)
Profit on ordinary activities after taxation	**8,264**	7,296	24,686
Dividends	**(3,077)**	(2,824)	(8,570)
Retained profit for the period	**5,187**	4,472	16,116
Basic earnings per share	**70.0p**	61.9p	205.5p
Diluted earnings per share	**69.1p**	60.8p	202.0p

group balance sheet

At 14 June 2003

	14 June 2003 £'000	15 June 2002 £'000	28 December 2002 £'000
Fixed assets			
Tangible assets	**154,398**	130,582	148,184
Investments	**5,047**	3,563	3,561
	159,445	134,145	151,745
Current assets			
Stocks	**6,306**	6,047	6,330
Debtors	**15,507**	14,155	11,740
Cash at bank and in hand	**29,467**	32,480	28,635
	51,280	52,682	46,705
Creditors: amounts falling due within one year	**(70,872)**	(65,883)	(64,943)
Net current liabilities	**(19,592)**	(13,201)	(18,238)
Total assets less current liabilities	**139,853**	120,944	133,507
Creditors: amounts falling due after more than one year	**(115)**	(109)	(119)
Provisions for liabilities and charges			
Deferred taxation	**(13,904)**	(12,589)	(13,423)
	125,834	108,246	119,965
Capital and reserves			
Called up share capital	**2,413**	2,404	2,404
Share premium account	**10,758**	10,010	10,085
Profit and loss account	**112,663**	95,832	107,476
Equity shareholders' funds	**125,834**	108,246	119,965

summarised group cash flow statement

for the 24 weeks ended 14 June 2003

	24 weeks to 14 June 2003		24 weeks to 15 June 2002		52 weeks to 28 December 2002	
	£'000	**£'000**	£'000	£'000	£'000	£'000
Operating profit		**11,814**		10,337		35,334
Depreciation		**8,442**		7,468		16,813
Loss/(profit) on disposal of fixed assets		**63**		(99)		260
Release of government grants		**(3)**		(3)		(7)
Decrease/(increase) in stocks	**24**		228		(55)	
(Increase)/decrease in debtors	**(3,767)**		(1,749)		666	
Increase in creditors	**7,528**		5,380		2,544	
Net decrease in working capital		**3,785**		3,859		3,155
Net cash inflow from continuing operating activities		**24,101**		21,562		55,555
Returns on investments and servicing of finance		**465**		504		1,332
Taxation paid		**(5,101)**		(3,535)		(9,474)
Capital expenditure and financial investments		**(16,205)**		(13,828)		(41,132)
Equity dividends paid		**(5,772)**		(5,123)		(7,968)
Net cash inflow from financing		**682**		220		295
Net decrease in cash		**(1,830)**		(200)		(1,392)

NOTES

1. The interim results are unaudited.
2. The comparative figures for the 52 weeks ended 28 December 2002 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.

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