

GREGGS
—plc—

Interim Statement 2004

Traditional values *Progressive thinking*



Interim statement 2004

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 under the Greggs and Bakers Oven brands.

Like-for-like sales in the first seven weeks of the second half (to 31 July) have increased by 7.4 per cent. This excellent growth rate reflects comparison with the period affected by last year's hot summer; we expect progress to moderate as the second half progresses. I believe that both our brands are well positioned to deliver further growth, and we therefore expect to report satisfactory progress over the year as a whole.

- Record interim pre-tax profit of £13.6 million - up 10.6 per cent
- Building on twelve consecutive years of profit, earnings and dividend growth
- Diluted earnings per share up 10.1 per cent to 76.1 pence
- Interim dividend increased to 30.0 pence per share
- Like-for-like sales up 4.1 per cent
- On track to add net 30 shops during year: net 11 added in first half
- Positive consumer response to Greggs brand relaunch
- Significant improvement in performance at Bakers Oven
- Net cash balances of £46.7 million at end of first half

Sir Michael Darrington, Managing Director



managing director's interim statement

I am pleased to report satisfactory interim results, with an improving trend in like-for-like sales driving a pre-tax profit increase of 10.6 per cent. We benefited from the successful media relaunch of the Greggs brand and a significant improvement in performance at Bakers Oven, as well as more favourable weather than in the comparable period last year.

RESULTS

Sales in the first half (24 weeks) increased by 7.5 per cent to £216.2 million (2003: £201.1 million). This included a like-for-like sales increase of 4.1 per cent, comprising a 2.7 per cent improvement in weeks 1 - 12 rising to 5.4 per cent in weeks 13 - 24. After a period of poor weather in the early part of the year, we enjoyed favourable trading conditions in May and June compared with the onset of unusually high temperatures in 2003. Our core volumes increased by 2.0 per cent, while selling price inflation of 2.1 per cent reflected our continuing programme of product upgrades as well as the recovery of cost increases.

Operating profit increased by 10.8 per cent to £13.1 million (2003: £11.8 million). After interest receivable of £0.5 million, broadly in line with the comparable period last year, pre-tax profit increased by 10.6 per cent to £13.6 million (2003: £12.3 million) and diluted earnings per share rose by 10.1 per cent to 76.1 pence (2003: 69.1 pence).

DIVIDEND

The Board has declared an interim dividend of 30.0 pence per share (2003: 25.5 pence). This is an increase of 17.6 per cent and is intended to improve the balance between our interim and final dividend payments. We remain committed to providing shareholders with progressive increases in their dividend income broadly in line with the growth of earnings per share over the medium term. The interim dividend will be paid on 1 October 2004 to shareholders on the register at the close of business on 3 September 2004.

TRADING HIGHLIGHTS

Although poor weather restrained our progress in the early part of the year, we derived significant benefits from the cooler conditions in May and June, compared with the exceptionally hot early summer of 2003. Ingredient prices were generally stable, and our long term contracts gave us partial protection from substantial increases in energy costs. Staff costs continue to rise, in order to attract and retain excellent people.

Greggs brand UK. The nine Greggs divisions achieved overall like-for-like sales growth of 3.8 per cent during the period, including a core volume increase of 1.4 per cent. In April we launched an updated brand identity that sought to re-emphasise our bakery heritage. This was reflected in point of sale material and in-shop

promotions, and backed by a major media campaign that included TV advertising in most of our regions, under the slogan 'It's the way we bake it that makes it'. The consumer response was encouraging, reflected in an improving like-for-like sales trend in the latter part of the first half.

We have also progressed our development of the new Greggs shop format, with the aim of reinforcing our credentials as a baker and softening some aspects of its takeaway orientation. Although some work remains to be done to refine the concept, evaluation of the performance of our latest batch of refits has encouraged us to accelerate the pace of refurbishment in the second half.

The Yorkshire and South West divisions both performed very well. Our integrated South East division also made good progress, following last year's setback, showing positive trends in both sales and profits.

Bakers Oven brand. The four Bakers Oven divisions produced a healthy like-for-like sales increase of 5.0 per cent, including core volume growth of 3.9 per cent, and significantly increased their contribution to Group profit. This progress followed our initiatives to strengthen the Bakers Oven management team and enhance the brand's sandwich offer. The other principal takeaway category of savouries also made good progress, while seated catering sales were stable within a highly competitive market place. We were

particularly pleased by our continued good performance in the South, though Scotland is also making progress following management action to close a number of underperforming outlets.

Greggs Continental Europe. We opened a second shop in Antwerp in March, giving us a total of three in Belgium. Like-for-like sales are growing at a good pace and we plan to add a fourth unit during the second half as we continue our learning and development process in this market.

PRODUCT PROFILE

Takeaway food remained the main driver of growth under both our brands, with savouries again making the strongest progress. The rate of growth of our sandwich sales progressively improved during the half year as we benefited from the Greggs brand relaunch. Cakes and confectionery products again saw modest like-for-like growth, while bread and rolls continued their long term decline as a proportion of our sales.

We are applying our substantial technical and product development resources to the reduction of salt and fat in our products, in line with Government guidelines, and are seeking to widen customer choice through the planned introduction of lower fat options on a number of our key lines. Work is also under way to extend our successful 'Lifestyle Choice' range of healthier eating sandwiches, wraps and related products.

RETAIL PROFILE

We opened 25 new shops during the first half and closed 14, giving us a net addition of 11 outlets to a total of 1,242 at 12 June. These comprised 1,023 units under the Greggs brand in the UK, a net addition of 16 since the year end; 216 Bakers Ovens, a net reduction of six; and three Greggs shops in Belgium, a net addition of one. We remain on track to add a net 30 units over the year as a whole, in line with our previously announced plans. We completed 11 shop refurbishments during the period, reflecting our decision to slow the rate of Greggs refits as we evaluated our refinements of the new shop format. The pace of refit activity will increase during the second half.

INVESTMENT AND FINANCE

Lower capital expenditure during the first half of £11.3 million (2003: £14.7 million) reflected the relatively small number of shop refits and the absence of major bakery development projects. We began work on a £1 million extension of our Edinburgh facility and are completing a project to expand capacity in Leeds. Total capital expenditure for the year is now expected to be around £2 million below our original budget of £34 million.

The relatively modest level of investment, combined with the strength of operating cash flow, resulted in an increase in our net cash balances to a total of £46.7 million at the end of the half, compared with £36.4 million in December 2003 and £26.8 million at the end of the first half last year.

PEOPLE AND THE COMMUNITY

Our continued focus on putting people first is without doubt a key factor in building our successful business. The growth of the group has enabled us to create 400 new jobs over the last year and has also enabled us to pursue a range of projects to care for the communities in which we operate. The Greggs Breakfast Clubs, which provide a healthy and well-balanced start to the day for children in disadvantaged areas, have continued to expand successfully. We encourage all our people to involve themselves in community activities and our charity committees support a wide range of good causes around the country.

OUTLOOK

Like-for-like sales in the first seven weeks of the second half (to 31 July) have increased by 7.4 per cent. This excellent growth rate reflects comparison with the period affected by last year's hot summer; we expect progress to moderate as the second half progresses. I believe that both our brands are well positioned to deliver further growth, and we therefore expect to report satisfactory progress over the year as a whole. Following last year's pattern, we intend to provide further updates on our performance in late October and early January.

Sir Michael Darrington

Managing Director

6 August 2004

group profit and loss account

for the 24 weeks ended 12 June 2004

	24 weeks to 12 June 2004 £'000	24 weeks to 14 June 2003 £'000	52 weeks to 27 December 2003 £'000
TURNOVER	216,202	201,117	456,978
OPERATING PROFIT	13,090	11,814	39,167
Net interest receivable	494	465	1,305
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	13,584	12,279	40,472
Taxation	(4,442)	(4,015)	(13,235)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	9,142	8,264	27,237
Dividends	(3,640)	(3,077)	(9,476)
RETAINED PROFIT FOR THE PERIOD	5,502	5,187	17,761
Basic earnings per share	77.1p	70.0p	230.5p
Diluted earnings per share	76.1p	69.1p	227.6p

group balance sheet

at 12 June 2004

	12 June 2004 £'000	14 June 2003* £'000	27 December 2003* £'000
FIXED ASSETS			
Tangible assets	161,980	154,398	160,704
CURRENT ASSETS			
Stocks	6,641	6,306	7,126
Debtors	14,166	15,507	13,037
Cash at bank and in hand	46,666	29,467	36,358
	67,473	51,280	56,521
CREDITORS: amounts falling due within one year	(72,694)	(70,872)	(68,558)
NET CURRENT LIABILITIES	(5,221)	(19,592)	(12,037)
TOTAL ASSETS LESS CURRENT LIABILITIES	156,759	134,806	148,667
CREDITORS: amounts falling due after more than one year	(110)	(115)	(112)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	(14,737)	(13,904)	(14,405)
	141,912	120,787	134,150
CAPITAL AND RESERVES			
Called up share capital	2,426	2,413	2,422
Share premium account	11,981	10,758	11,537
Profit and loss account	127,505	107,616	120,191
Equity shareholders' funds	141,912	120,787	134,150

* restated following the introduction of UITF 38

summarised group cash flow statement

for the 24 weeks ended 12 June 2004

	24 weeks to 12 June 2004 £'000	24 weeks to 14 June 2003* £'000	52 weeks to 27 December 2003* £'000
Operating profit	13,091	11,814	39,167
Depreciation	9,356	8,442	18,985
Loss on disposal of fixed assets	183	63	69
Release of government grants	(4)	(3)	(7)
Decrease/(increase) in stocks	485	24	(796)
Increase in debtors	(1,129)	(3,767)	(1,297)
Increase in creditors	9,797	7,528	1,601
Net decrease/(increase) in working capital	9,153	3,785	(492)
NET CASH INFLOW FROM CONTINUING OPERATING ACTIVITIES	31,779	24,101	57,722
Returns on investments and servicing of finance	494	465	1,305
Taxation paid	(6,950)	(5,101)	(10,908)
Capital expenditure and financial investments	(10,815)	(14,719)	(31,574)
Equity dividends paid	(6,459)	(5,772)	(8,807)
Net cash inflow/(outflow) from financing	2,259	(804)	(15)
Net increase/(decrease) in cash	10,308	(1,830)	7,723

NOTES

1. The unaudited financial information set out above does not constitute the Company's statutory accounts for the 24 weeks ended 12 June 2004.
2. The accounting policies used as a basis for this interim results announcement are consistent with the Company's statutory accounts for the 52 weeks ended 27 December 2003 except that 2003 figures have been restated following the introduction of UITF 38 - "Accounting for ESOP Trusts" with effect from 28 December 2003.
3. The comparative figures for the 52 weeks ended 27 December 2003 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.
4. 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.

Mission, Vision and Values

Our Business. Greggs plc is the UK's leading retailer specialising in sandwiches, savouries and other bakery-related products, with a particular focus on takeaway food and catering. We continue to show significant growth and now have over 1,200 retail outlets, trading under the Greggs and Bakers Oven brands.

Our Vision and Purpose. Our vision is to be Europe's finest bakery-related retailer. Our purpose is the growth and development of a thriving business, operating with integrity, for the benefit and enjoyment of our people, customers, shareholders and the wider community.

Our Strategy. Our people will be enabled, within overall guidance from the centre, to work towards the successful attainment of world-class standards. To achieve this, the focus will be on:

A Great Place to Work: we will place major emphasis on promoting a culture that encourages personal development, leadership qualities and creativity. This will be supported by working conditions that meet the needs of our present and future people.

Enjoyable Experience: we will deliver customer satisfaction by offering great-tasting food at unbeatable value to the highest standards of food safety. This will be achieved from shops that provide friendly and efficient service in attractive surroundings.

Business Excellence: our people will seek continuous improvement in their areas of responsibility, enabling them to make a real and lasting contribution to the objectives of the Company.

Challenging Targets: we will strive to achieve a turnover of £1 billion by 2010 through continued core growth and the acquisition of new units, taking us to over 1,700 shops.

Caring for the Community: our continued emphasis on social responsibility will encourage even greater involvement in local charity activities and social projects, and a growing focus on protecting the environment.

Our Values.

As a people-focused business, we aim to be enthusiastic and supportive in all that we do, open, honest and appreciative, treating everyone with fairness, consideration and respect.

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www.greggs.co.uk