31 July 2008

GREGGS plc

INTERIM RESULTS FOR THE 24 WEEKS ENDED 14 JUNE 2008

"These are the last results to be presented by Mike Darrington, who joined Greggs in July 1983 and has been Group Managing Director since January 1984. I would like to record the Board's appreciation of his truly outstanding contribution to the business over these years. Thanks to his strong leadership and clear vision, the Group has grown to become the UK's leading bakery retailer and has delivered real value to shareholders, employees and the wider community."

- Derek Netherton, Chairman

KEY FINANCIALS

	Before property and exceptional gains*		**After property and exceptional gains***	
	2008	Change YOY	2008	Change YOY
Sales	£276m	+7.7%	£276m	+7.7%
Operating profit	£13.8m	-3.2%	£21.8m	+34.6%
Pre-tax profit	£14.1m	-4.3%	£ 22.2m	+32.4%
Diluted earnings per share	95.5p	+4.0%	149.5p	+43.8%
Dividends per share	49p	+6.5%	49p	+6.5%

* Property and exceptional gains of £8.0m (2007: £2.0m)

- Record interim diluted earnings per share
- Record interim dividend, building on 23 consecutive years of dividend growth
- Like-for-like sales up 5.1% in first half, and 5.8% in first six weeks of second half
- Operating profit shows resilience in tough market conditions
- £7.7m net cash balance at 14 June 2008 (2007: £26.3m)
- Comfortably on target for at least 40 net new shops during 2008; 20 added to date

"For the last two months I have been working alongside our new Chief Executive, Ken McMeikan. This period of collaboration has worked extremely well and, as I hand over my executive responsibilities to him, I feel confident that he will add considerable value through the experience he brings from outside the Group. This will complement our established expertise to help build an even stronger business for the future.

"There is no doubt that the business climate has become more challenging since the publication of our 2007 results in March. However, I consider that we are well placed to cope with this environment because of our focus on supplying the mainstream market with wholesome, tasty products which offer great value for money, and the wide variety of locations in which we trade.

"Despite the uncertainties which affect every business operating in the UK consumer market, the Board remains confident in the prospects for the Group as a whole."

- Sir Michael Darrington, Managing Director

ENQUIRIES:

Greggs plc
Sir Michael Darrington, Managing Director
Richard Hutton, Finance Director
Tel: 020 7796 4133 on Thursday, 31 July only
0191 281 7721 thereafter

Hudson Sandler
Wendy Baker / Fran Read
Tel: 020 7796 4133

Greggs is the UK's leading bakery retailer specialising in sandwiches, savouries and other baker-fresh food on the go. It has over 1,350 retail outlets throughout the UK, trading under the Greggs and Bakers Oven brands.

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

MANAGING DIRECTOR'S INTERIM STATEMENT

The Group has achieved a resilient performance in a period when overall retail demand has weakened, and in the face of significant pressure from rising energy and ingredient costs. Our strong value proposition, and the wide range of locations in which we can trade successfully, mean that the business is well placed to cope with current market conditions. Further significant opportunities will also be created as we progressively realise the benefits of building Greggs into a more customer-focused and unified national brand. As I step down as Managing Director today after 25 years with the company, I am confident that the Group is in the hands of an excellent team with the right blend of expertise to build an even stronger business for the future.

Results

Group sales for the first half (24 weeks to 14 June 2008) increased by 7.7 per cent to £276 million (2007: £256 million), including like-for-like sales growth of 5.1 per cent. As reported in our Interim Management Statement of 13 May 2008, like-for-like sales progress slowed during March and April. This was followed by an encouraging improvement from May.

Operating profit (excluding property and exceptional gains) was £13.8 million (2007: £14.2 million), a reduction of 3.2 per cent. Gains in sales and a renewed focus on efficiency offset much, but not all, of the pressure from rising energy and ingredient costs. The continuing global rise in energy prices impacted directly on our production and distribution costs and indirectly throughout our supply chain. As has been widely reported, there have also been significant increases in the prices of many of our key ingredients, with inflationary pressure latterly particularly evident in protein.

There was an additional net property profit of £1.0 million (2007: £2.0 million), principally relating to the disposal of a freehold development site in Scotland. In addition, accounting standards require that an exceptional credit of £7.0 million arising on the closure of our final salary scheme to further accrual in 2008 should be recognised in the profit and loss account. This curtailment item reflects a change to the actuarial assumption regarding inflation of member benefits and has been previously anticipated in our funding plans for the scheme.

Finance income was £0.4 million (2007: £0.6 million), reflecting the continuing reduction of our net cash balances as we have returned surplus cash to shareholders through both higher dividends and share buybacks.

Profit before taxation (excluding property and exceptional gains) was £14.1 million (2007: £14.8 million), a reduction of 4.3 per cent. As a result of the lower rate of corporation tax and the benefits of our share buyback programme, diluted earnings per share (excluding non-recurring items) rose by 4.0 per cent to an interim record of 95.5 pence (2007: 91.8 pence).

Including property gains in both years and the exceptional gain in 2008, profit before taxation was £22.2 million (2007: £16.7 million) and diluted earnings per share were 149.5 pence (2007: 104.0 pence.)

Cash flow and share buyback programme

The Group remains strongly cash generative. At the end of the first half, net cash on the balance sheet totalled £7.7 million (2007: £26.3 million) despite total expenditure on share buybacks during the preceding 12 months of £29.0 million. We spent £6.7 million in the course of the first half this year, during which we purchased for cancellation 156,044 shares at an average price of £42.95. Since the beginning of the second half, we have purchased for cancellation an additional 80,000 shares at an average price of £37.04 and an aggregate cost of £3.0 million. The Board retains the authority to continue buying back shares in the market when it considers it to be in the interests of our shareholders to do so.

Dividend

The Board has declared an increased interim dividend of 49 pence per share (2007: 46 pence), a rise of 6.5 per cent, in line with our policy of progressively and prudently reducing dividend cover. The interim dividend will be paid on 3 October 2008 to those shareholders on the register at the close of business on 5 September 2008.

Business highlights

As has been extensively reported elsewhere, UK consumer confidence has been adversely affected by the combination of overall uncertainty in the financial system, instability in the housing market and rising living costs. Our business has some degree of insulation from these pressures because we are known for the strength of our value proposition, focusing on selling great tasting products at highly competitive prices. We also benefit from trading in a wide variety of locations including high streets and suburban shopping parades as well as out-of-town retail parks, and in a growing number of non-traditional areas such as industrial estates. This helped us to maintain the like-for-like number of customer visits to our shops during the first half, despite the more demanding trading environment.

After a positive start, like-for-like sales growth slowed during March and April as the result of poorer weather and a less favourable pattern of Easter trading. An improved performance in

May and early June principally reflected comparison with a period of exceptionally wet weather in June 2007.

Greggs brand UK. Like-for-like sales under the Greggs brand in the UK increased by 5.3 per cent. The Greggs brand continues to offer a great value proposition in a market where consumers' budgets are increasingly under strain. This is the second year of our three year change plan to deliver a more customer focused and unified Greggs brand across the UK, and our new central teams in Retail, Marketing and Supply Chain are in place and beginning to yield benefits for the Group. The process of harmonising products and practices across our divisions is continuing satisfactorily. We remain firmly focused on the mainstream market, but are progressively adapting our range to meet changing consumer demands.

Our integrated, brand-building marketing campaign continues, with two bursts of national TV and radio advertising in January and May complemented by exposure on posters and the internet, and a further phase of activity scheduled for the autumn. We are seeking to build awareness of the Greggs brand throughout the UK in the long term, while placing an immediate emphasis on the great taste and great value which we have always offered.

Bakers Oven brand. Like-for-like sales under the Bakers Oven brand grew by 3.8 per cent, strengthening as the first half progressed. This was achieved through continued focus on the freshness of its in-store baking and the attractiveness of its seated catering offer in the current, value-oriented market place.

Greggs brand Continental Europe. Our Belgian business now comprises ten shops. We have absorbed a small chain of five shops in Brussels, which have been successfully re-branded as Greggs, while one of our two shops in Leuven has been closed. The business as a whole is achieving good core sales growth.

Retail profile

We opened 26 new shops during the first half and closed 12, giving us a net addition of 14 outlets since the year end and a total of 1,382 at the end of the first half (2007: 1,341). These comprised 1,209 (2007: 1,170) under the Greggs brand across the UK, 163 (2007: 165) trading as Bakers Oven in the Midlands and South, and 10 (2007: 6) under the Greggs brand in Belgium.

Since the beginning of the second half we have added a further net six new shops, making a total net addition of 20 in the year to date, and we are confident of comfortably achieving our target of adding at least 40 net new shops to our portfolio over the year as a whole.

Capital investment

Capital expenditure during the first half was £14.2 million (2007: £20.5 million). Our largest single project is the construction of a new Manchester bakery, which is progressing well and will be commissioned during the second half. We have reviewed all our capital expenditure plans in the light of the current economic environment and made a number of adjustments, resulting in a reduction in our budget for the current year to £40 million, compared with our actual spending last year of £42.3 million and our original 2008 budget of £44 million.

People, the community and the environment

Our people are coping well with a period of considerable change in the way we organise and run the business. Such change is always unsettling, but in 2008 it has been accompanied by the additional pressures caused by escalating costs and a fast-changing and highly competitive market place. I am very pleased that everyone in the business has continued to perform so well in this very challenging environment.

It is also pleasing that we are able to continue our long-standing programme of engagement with the community in these demanding times. We are repeating our involvement with the BBC Children in Need appeal this year, and aiming to exceed the contribution of £175,000 raised by our staff in 2007. Our 124 Greggs Breakfast Clubs, operating in primary schools in disadvantaged areas, continue to meet a real need in society and we are examining ways to extend these Clubs into areas where they do not currently operate.

We are continuing to pursue initiatives to improve energy efficiency, reduce carbon emissions, increase recycling and reduce the amount of food waste sent to landfill, and are seeing an even greater focus on these areas following the appointment of our new Social Responsibility Director at the beginning of the year.

Risks and uncertainties

The key risks affecting the business, in the assessment of the Board, were outlined in the 2007 Annual Report. Since its publication the economic climate has clearly deteriorated, placing consumer spending under pressure. However, we believe that the impact on our business should be mitigated by the value orientation of the Greggs proposition. The Group has also demonstrated its ability to weather economic downturns in the past.

Outlook

Like-for-like sales in the first six weeks of the second half increased by 5.8 per cent. Our retail expansion plans remain well on track, and our continuing programmes to unify and raise the national profile of the Greggs brand offer great potential for the future.

For the last two months I have been working alongside our new Chief Executive, Ken McMeikan, whose appointment was announced in April. This period of collaboration has worked extremely well and, as I hand over my executive responsibilities to him, I feel confident that he will add considerable value through the experience he brings from outside the Group. This will complement our established expertise to help build an even stronger business for the future.

There is no doubt that the business climate has become more challenging since the publication of our 2007 results in March. However, I consider that we are well placed to cope with this environment because of our focus on supplying the mainstream market with wholesome, tasty products which offer great value for money, and the wide variety of locations in which we trade. This reduces our exposure to a sustained downturn in consumer spending.

Despite the uncertainties which affect every business operating in the UK consumer market, the Board remains confident in the prospects for the Group as a whole.

Sir Michael Darrington
Managing Director
31 July 2008

Greggs plc
Consolidated income statement
For the 24 weeks ended 14 June 2008

	24 weeks ended 14 June 2008	24 weeks ended 16 June 2007 Restated	52 weeks ended 29 December 2007 Restated
	£'000	£'000	£'000
Revenue	**275,659**	255,878	586,303
Cost of sales	**(107,004)**	(97,048)	(220,849)
Gross profit	**168,655**	158,830	365,454
Distribution and selling costs	**(136,366)**	(126,189)	(278,708)
Administrative expenses	**(18,513)**	(18,414)	(39,030)
Other income	**8,011**	1,960	2,193
Operating profit	**21,787**	16,187	49,909
Analysed as:			
Operating profit before property and exceptional gains	**13,776**	14,227	47,716
Other income:			
Profit on disposal of properties	**1,042**	1,960	2,193
Curtailment of defined benefit pension scheme (note 4)	**6,969**	-	-
	21,787	16,187	49,909
Finance income	**373**	556	1,234
Profit before tax	**22,160**	16,743	51,143
Income tax	**(6,870)**	(5,475)	(14,792)
Profit for the period attributable to equity holders of the parent	**15,290**	11,268	36,351
Basic earnings per share	**150.1p**	104.9p	342.8p
Diluted earnings per share	**149.5p**	104.0p	340.4p

Non-GAAP measure:			
Adjusted profit before tax* (£'000)	**14,149**	14,783	48,950
Adjusted profit for the period attributable to equity holders of the parent (£'000) +	**9,763**	9,948	34,158
Adjusted basic earnings per share+	**95.8p**	92.6p	322.1p
Adjusted diluted earnings per share+	**95.5p**	91.8p	319.9p

* Calculated as profit before tax less profit on disposal of properties and the exceptional gain on the curtailment of the defined benefit pension scheme

\+ Adjusted to take account of profit on disposal of properties and the exceptional gain on curtailment of the defined benefit pension scheme, net of tax (see note 6)

Greggs plc
Consolidated statement of recognised income and expense
For the 24 weeks ended 14 June 2008

	24 weeks ended 14 June 2008	24 weeks ended 16 June 2007	52 weeks ended 29 December 2007
	£'000	£'000	£'000
Actuarial (loss) / gain on defined benefit pension scheme	**(6,435)**	2,817	1,410
Tax on items taken directly to equity	**1,802**	(845)	(456)
Net (expense) / income recognised directly in equity	**(4,633)**	1,972	954
Profit for the period	**15,290**	11,268	36,351
Total recognised income and expense for the period attributable to equity holders of the parent	**10,657**	13,240	37,305

Greggs plc
Consolidated balance sheet
As at 14 June 2008

	14 June 2008	16 June 2007	29 December 2007
	£'000	£'000	£'000
ASSETS			
Non-current assets			
Property, plant and equipment	**197,946**	189,583	196,783
Defined benefit pension asset	**-**	934	-
	197,946	190,517	196,783
Current assets			
Inventories	**11,137**	8,467	9,908
Trade and other receivables	**22,886**	19,424	19,934
Cash and cash equivalents	**8,121**	26,319	11,581
	42,144	54,210	41,423
Total assets	**240,090**	244,727	238,206
LIABILITIES			
Current liabilities			
Trade and other payables	**(77,299)**	(75,708)	(68,183)
Bank loans and overdrafts	**(380)**	-	-
Current tax liabilities	**(6,611)**	(6,092)	(9,008)
	(84,290)	(81,800)	(77,191)
Non-current liabilities			
Defined benefit pension liability	**(4)**	-	(680)
Other payables	**(426)**	(88)	(426)
Deferred tax liability	**(15,006)**	(15,859)	(14,315)
	(15,436)	(15,947)	(15,421)
Total liabilities	**(99,726)**	(97,747)	(92,612)
Net assets	**140,364**	146,980	145,594
EQUITY			
Capital and reserves			
Issued capital	**2,096**	2,219	2,127
Share premium account	**13,533**	13,533	13,533
Capital redemption reserve	**343**	220	312
Retained earnings	**124,392**	131,008	129,622
Total equity attributable to equity holders of the parent	**140,364**	146,980	145,594

Greggs plc
Consolidated statement of cash flows
For the 24 weeks ended 14 June 2008

	24 weeks ended 14 June 2008 £'000	24 weeks ended 16 June 2007 £'000	52 weeks ended 29 December 2007 £'000
Operating activities			
Cash generated from operating activities (see below)	**31,056**	36,026	74,685
Income tax paid	**(7,100)**	(4,850)	(12,585)
Net cash inflow from operating activities	**23,956**	31,176	62,100
Cash flows from investing activities			
Acquisition of property, plant and equipment	**(14,229)**	(20,522)	(42,343)
Proceeds from sale of property, plant and equipment	**2,020**	6,875	7,625
Interest received	**373**	552	1,234
Net cash outflow from investing activities	**(11,836)**	(13,095)	(33,484)
Cash flows from financing activities			
Sale of own shares	**353**	218	1,952
Shares purchased and cancelled	**(6,751)**	(3,395)	(25,688)
Dividends paid	**(9,562)**	(8,370)	(13,242)
Government grants received	**-**	200	358
Net cash outflow from financing activities	**(15,960)**	(11,347)	(36,620)
Net (decrease) / increase in cash and cash equivalents	**(3,840)**	6,734	(8,004)
Cash and cash equivalents at the start of the period	**11,581**	19,585	19,585
Cash and cash equivalents at the end of the period	**7,741**	26,319	11,581

Cash flow statement – cash generated from operations

	24 weeks ended 14 June 2008 £'000	24 weeks ended 16 June 2007 £'000	52 weeks ended 29 December 2007 £'000
Profit for the period	**15,290**	11,268	36,351
Depreciation	**11,618**	11,022	24,548
Profit on sale of property, plant and equipment	**(972)**	(1,875)	(1,951)
Release of government grants	**-**	(2)	(16)
Curtailment of defined benefit pension scheme	**(6,969)**	-	-
Share based payment expenses	**397**	396	555
Finance income	**(373)**	(556)	(1,234)
Income tax expense	**6,870**	5,475	14,792
Increase in inventories	**(1,229)**	(38)	(1,479)
Increase in debtors	**(2,952)**	(3,398)	(3,908)
Increase in creditors	**9,519**	13,534	6,820
Movement in pension liability	**(143)**	200	207
Cash generated from operating activities	**31,056**	36,026	74,685

Notes

1. Basis of preparation and accounting policies

These condensed financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU. They do not include all the information required for full annual financial statements, and should be read in conjunction with the Group financial statements for the 52 weeks ended 29 December 2007.

These condensed financial statements are unaudited and were approved by the Board of Directors on 31 July 2008.

The information for the 52 weeks ended 29 December 2007 does not constitute statutory financial statements as defined by section 240 of the Companies Act 1985. Those financial statements have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

The accounting policies applied by the Group in these condensed financial statements are the same as those applied by the Group in its consolidated financial statements for the 52 weeks ended 29 December 2007. A minor presentational change has been made to the income statement reallocating profit on the sale of properties from cost of sales to other income.

2. Changes in accounting policies

There are no changes to accounting policies which are expected to be effective in the current financial year and therefore there is no impact on these condensed financial statements.

3. Segment analysis

Business is the basis of the Group's primary segmentation. The Group operates in one business segment being the retailing of sandwiches, savouries and other bakery related products. As a result no additional business segment information is provided. The Group's secondary segment is geography. It operates in one geographic segment, the United Kingdom, as the Group has no material operations outside the UK, and therefore, no additional geographic segment information is require to be provided.

4. Defined benefit pension scheme

An exceptional pension credit has arisen on the curtailment of the defined benefit scheme following a change in the calculation assumptions. The scheme is now closed as regards the accrual of future benefits and the assumptions regarding future payments increases have therefore been changed from being salary based to inflation based.

The valuation of the defined benefit pension scheme for the purposes of IAS19 as at 29 December 2007 has been updated as at 14 June 2008 and the movements have been reflected in this interim statement.

5. Taxation

The taxation charge for the 24 weeks ended 14 June 2008 and 16 June 2007 is calculated by applying the directors' best estimate of the annual effective tax rate to the profit for the period.

6. Earnings per share

	24 weeks ended 14 June 2008	24 weeks ended 16 June 2007	52 weeks ended 29 December 2007
	£'000	£'000	£'000
Profit for the period attributable to equity holders of the parent	**15,290**	11,268	36,351
Other income (net of tax):			
Profit on disposal of properties	**(719)**	(1,320)	(2,193)
Curtailment of defined benefit pension scheme	**(4,808)**	-	-
Adjusted profit for the period attributable to equity holders of the parent	**9,763**	9,948	34,158

The adjusted earnings per share figures have been calculated excluding the effect of the exceptional items. These have been calculated by dividing adjusted profit for the period attributable to equity holders of the parent by the relevant weighted average number of shares.

6. Earnings per share (continued)

The number of ordinary shares in issue at 14 June 2008 was 10,479,047 (16 June 2007: 11,095,391, 29 December 2007: 10,635,091). The weighted average number of ordinary shares outstanding during the period was 10,185,864 (24 weeks ended 16 June 2007: 10,741,124, 52 weeks ended 29 December 2007: 10,604,188). The diluted weighted average number of ordinary shares outstanding during the period was 10,226,880 (24 weeks ended 16 June 2007: 10,839,245, 52 weeks ended 29 December 2007: 10,679,147).

7. Dividends

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

Dividend declared	**24 weeks ended 14 June 2008**	24 weeks ended 16 June 2007	52 weeks ended 29 December 2007
	Pence per share	Pence per share	Pence per share
2006 final dividend	**-**	78.0p	78.0p
2007 interim dividend	**-**	-	46.0p
2007 final dividend	**94.0p**	-	-
	94.0p	78.0p	124.0p

	24 weeks ended 14 June 2008	24 weeks ended 16 June 2007	52 weeks ended 29 December 2007
	£'000	£'000	£'000
Total dividend payable			
2006 final dividend	**-**	8,387	8,387
2007 interim dividend	**-**	-	4,855
2007 final dividend	**9,886**	-	-
Total dividend paid in period	**9,886**	8,387	13,242
Dividend proposed at period end and not included as a liability in the accounts			
2007 interim dividend (46.0p per share)	**-**	4,880	-
2007 final dividend (94.0 p per share)	**-**	-	9,886
2008 interim dividend (49.0p per share)	**5,096**	-	-
	5,096	4,880	9,886

8. Share capital and reserves

Reconciliation of movement in capital and reserves attributable to equity shareholders

	Share capital	Share premium	Capital redemption reserve	Retained earnings	**Total**
	£'000	£'000	£'000	£'000	**£'000**
At 30 December 2007	2,127	13,533	312	129,622	**145,594**
Total recognised income and expense	-	-	-	10,657	**10,657**
Shares purchased and cancelled	(31)	-	31	(6,753)	**(6,753)**
Sale of own shares	-	-	-	353	**353**
Share based payments	-	-	-	397	**397**
Equity dividends	-	-	-	(9,562)	**(9,562)**
Tax items taken directly to reserves	-	-	-	(322)	**(322)**
At 14 June 2008	**2,096**	**13,533**	**343**	**124,392**	**140,364**

9. Related party transactions

There have been no related party transactions in the first 24 weeks of the current financial year which have materially affected the financial position or performance of the Group.

Related parties are consistent with those disclosed in the Group's Annual Report and Accounts for the 52 weeks ended 29 December 2007.

10. Half year report

The condensed financial statements were approved by the Board of Directors on 31 July 2008 and copies are being posted to all shareholders. Further copies are available on application to the Company Secretary, Greggs plc, Fernwood House, Clayton Road, Jesmond, Newcastle upon Tyne, NE2 1TL. They will also be available on the Company's website, www.greggs.plc.uk.

11. Principal risks and uncertainties

The Directors consider that the principal risks and uncertainties which could have a material impact on the Group's performance in the remaining 28 weeks of the financial year remain the same as those stated on page 17 of our Annual Report and Accounts for the 52 weeks ended 29 December 2007 which is available on our website www.greggs.plc.uk.

12. Statement of Directors' responsibilities

The Directors named below confirm on behalf of the Board of Directors that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS34 Interim Financial Reporting as adopted by the EU;
- the interim management report includes a fair review of the information required by:

(a) DTR4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first 24 weeks of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining 28 weeks of the year; and

(b) DTR4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first 24 weeks of the financial year and that have materially affected the financial position or performance of the Group during the period; and any changes in the related party transactions described in the last annual report that could do so.

The Directors of Greggs plc are listed in the Annual Report and Accounts for the 52 weeks ended 29 December 2007. The following changes have occurred since the Annual Report and Accounts was published:

- Stephen Curran retired on 13 May 2008;
- Kennedy McMeikan was appointed on 1 June 2008.

For and on behalf of the Board of Directors

Sir Michael Darrington
Managing Director
31 July 2008

Richard Hutton
Finance Director