GREGGS The home of fresh baking™

GREGGS plc
INTERIM RESULTS FOR THE 26 WEEKS ENDED 3 JULY 2010

Greggs is the leading bakery retailer in the UK, with over 1,400 retail outlets throughout the country, serving freshly baked products to six million customers each week

EXPANSION PLANS ON TRACK

- Sales up 2.9% to £321m (2009: £312m); like-for-like sales up 0.7%
- Operating profit up 13.1% to £18.5m (2009: £16.3m)
- Pre-tax profit up 12.3% to £18.6m (2009: £16.5m)
- Underlying operating profit up 4%
- Interim dividend increased 5.8% to record 5.5p per share
- Diluted earnings per share up 12.4% to 12.7p (2009: 11.3p)
- Net cash of £24.6m (2009: £14.9m) after £4.5m share buyback
- 26 new shops opened: net increase of 18 in half year

"We have delivered a resilient first half performance under challenging conditions with total sales growth of 2.9% and marginally positive like-for-like sales growth, in line with our expectations. Our accelerated shop opening and refit programmes are progressing as planned, and delivering encouraging early results. We are now set to commence the first phase of our supply chain investment programme.

The pressure on the trading environment looks likely to increase in the second half and we remain focused on managing costs tightly. We now expect an increase in ingredient cost inflation in the second half of the year, following the recent rise in wheat prices.

Despite the challenging trading environment, I believe that Greggs remains on track to deliver another year of progress."

\- ***Ken McMeikan, Chief Executive***

ENQUIRIES:

Greggs plc
Ken McMeikan, Chief Executive
Richard Hutton, Finance Director
Tel: 020 7796 4133 on Tuesday 10 August only
0191 281 7721 thereafter

Hudson Sandler
Michael Sandler / Alex Brennan
Tel: 020 7796 4133

High resolution images are available for the media to view and download from http://corporate.greggs.co.uk/media-download

CHIEF EXECUTIVE'S REPORT

We are making good progress with our strategy: making Greggs more accessible to more people through our shop opening programme, investing in our bakeries for greater efficiency and capacity for growth and realising the benefits of a strong, centrally run business.

We have delivered a resilient first half performance under challenging conditions with total sales growth of 2.9% and marginally positive like-for-like sales growth, in line with our expectations. Our accelerated shop opening and refit programmes are progressing as planned, and delivering encouraging early results. We are now set to commence the first phase of our supply chain investment programme.

Results

Total group sales in the 26 weeks ended 3 July 2010 (2009: 26 weeks to 27 June) increased by 2.9 per cent to £321 million (2009: £312 million). Like-for-like sales grew by 0.7 per cent, in line with our expectations of marginally positive like-for-like sales growth over the year.

Operating profit increased by 13.1 per cent to £18.5 million (2009: £16.3 million), benefiting from the change in the start and end dates of the first half as a result of our 53-week accounting period in 2009. Operating margin improved to 5.7 per cent (2009: 5.2 per cent). Adjusting for the change in the start and end dates of the first half, there was an underlying increase in operating profit of four per cent with net margin remaining stable. The cost environment in the first half remained in line with our expectations with increases in fuel and wage costs partly mitigated by deflation in energy prices.

Profit before taxation increased by 12.3 per cent to £18.6 million (2009: £16.5 million). This includes net finance income of £95,000 (2009: £192,000). There were no property or other exceptional gains in either period.

Diluted earnings per share were 12.7 pence (2009: 11.3 pence), an increase of 12.4 per cent.

Our shops

We opened 26 new shops during the first half and closed eight, making a net increase of 18 since the beginning of our financial year and giving us a total of 1,437 at the end of the half year. We are encouraged by the performance of our new shops, almost half of which are in locations such as industrial estates, business parks and transport hubs, improving our accessibility to customers and complementing our established presence on high streets.

We also completed 47 shop refurbishments during the half year. In London, we refitted eight shops based on the concept shop we trialled in 2009, making more space available to our customers to encourage browsing and self-selection in a contemporary shopping environment. These units have shown good sales increases. This reflects our learning from the initial concept shops, and we will refit a further 19 shops in the London area during the second half. If current performance trends are maintained, we will then roll the concept shop format out to other parts of the country as part of our normal store refurbishment programme.

Trading activity

With consumers now having less disposable income than a year ago, we have focused our promotional activity in the first half on ensuring that customers benefit from great value offers throughout the day.

In the first half we have sold more than two million meal deals, up 167% versus last year. Our current sandwich meal deal offers a freshly made roll with a choice of fillings, a 500ml soft drink and a packet of crisps. We have also had a good response to our seasonal promotion of two soft drinks for £1.80.

We launched our breakfast rolls in February – bacon or sausage in a fresh, Greggs-baked roll – and have now sold 4.5 million, helping to grow our sales in the traditionally quieter early morning period.

Our supply chain

Last year we undertook a review of our supply chain and announced plans to invest in our bakeries for significant shop growth and improved efficiencies. We are now beginning the first phase of this investment and are on site at our new bakery in Newcastle upon Tyne, which will replace our existing Gosforth bakery.

Our people

Our people continue to show tremendous commitment to Greggs, our customers and the wider community. Their efforts are the key to our continued sales growth in an exceptionally testing environment, supported by our investment in customer service training. They have also continued to show huge commitment to supporting causes outside the workplace, such as The Great Bakery Bike Ride, raising £90,000 for Greggs Breakfast Clubs and BBC Children in Need. I am delighted that our planned addition of 50-60 net new shops this year will provide a further 500-600 new jobs.

Capital expenditure

Total capital expenditure during the first half was £12.4 million (2009: £10.4 million), reflecting the increased rate of shop openings and refurbishments and these will gather pace in the second half. Alongside this we will be conducting the first phase of investment in our supply chain to support the growth in shop numbers. We therefore continue to budget total capital expenditure for the year of £45-50 million (2009: £30.3 million), which will be financed from our strong cash flow.

Cash flow and share buyback

We remain strongly cash generative and continue to self-finance our capital investment requirements. At the end of the first half, net cash on the balance sheet was £24.6 million (2009: £14.9 million). This was after spending £4.5 million to purchase for cancellation 1,000,000 shares at an average price of £4.50, in line with the plans we announced in March to return up to £15 million of surplus cash to our shareholders.

Dividend

The Board has declared an increased interim dividend of 5.5 pence per share (2009: 5.2 pence), a rise of 5.8 per cent, reflecting the Board's confidence in the prospects for the group. We remain committed to delivering value to shareholders through our dividend policy, building on our record of 25 consecutive years of dividend growth since the business floated on the stock market in 1984. The interim dividend will be paid on 1 October 2010 to those shareholders on the register at the close of business on 3 September 2010.

Prospects

The significant structural changes we made to our business in 2009 are starting to deliver a faster pace of new shop openings and we are on track to meet our target of adding 50-60 net new shops in 2010. We also expect to double our rate of shop refits to 120 over the year as a whole. We are investing in our supply chain to support future growth of 600+ new shops creating more than 6,000 new jobs across the UK.

The pressure on the trading environment looks likely to increase in the second half and we remain focused on managing costs tightly. We now expect an increase in ingredient cost inflation in the second half of the year, following the recent rise in wheat prices.

Despite the challenging trading environment, I believe that Greggs remains on track to deliver another year of progress.

Kennedy McMeikan
Chief Executive
10 August 2010

Greggs plc
Condensed consolidated income statement
For the 26 weeks ended 3 July 2010

	26 weeks ended 3 July 2010	26 weeks ended 27 June 2009 Restated (note 1)	53 weeks ended 2 January 2010
	£'000	£'000	£'000
Revenue	**321,333**	312,360	658,186
Cost of sales	**(124,653)**	(121,509)	(252,284)
Gross profit	**196,680**	190,851	405,902
Distribution and selling costs	**(159,768)**	(156,733)	(321,686)
Administrative expenses	**(18,440)**	(17,783)	(35,783)
Operating profit	**18,472**	16,335	48,433
Finance income	**95**	192	346
Profit before tax	**18,567**	16,527	48,779
Income tax	**(5,570)**	(5,123)	(14,405)
Profit for the period attributable to equity holders of the parent	**12,997**	11,404	34,374
Basic earnings per share	**12.9p**	11.3p	34.1p
Diluted earnings per share	**12.7p**	11.3p	34.0p

Greggs plc
Condensed consolidated statement of comprehensive income
For the 26 weeks ended 3 July 2010

	26 weeks ended 3 July 2010	26 weeks ended 27 June 2009	53 weeks ended 2 January 2010
	£'000	£'000	£'000
Profit for the period	**12,997**	11,404	34,374
Other comprehensive income			
Actuarial losses on defined benefit pension plans	**(4,627)**	(5,796)	(6,920)
Tax on items taken directly to equity	**1,296**	1,623	1,938
Other comprehensive income for the period, net of income tax	**(3,331)**	(4,173)	(4,982)
Total comprehensive income for the period	**9,666**	7,231	29,392

Greggs plc
Condensed consolidated balance sheet
as at 3 July 2010

	3 July 2010	27 June 2009	2 January 2010
	£'000	£'000	£'000
ASSETS			
Non-current assets			
Intangible assets	**506**	759	579
Property, plant and equipment	**208,909**	206,988	211,155
	209,415	207,747	211,734
Current assets			
Inventories	**13,047**	11,818	11,886
Trade and other receivables	**20,035**	26,017	21,206
Cash and cash equivalents	**24,550**	14,885	34,619
	57,632	52,720	67,711
Total assets	**267,047**	260,467	279,445
LIABILITIES			
Current liabilities			
Trade and other payables	**(64,720)**	(73,226)	(71,738)
Current tax liabilities	**(6,664)**	(6,751)	(8,857)
Provisions	**(857)**	(1,462)	(857)
	(72,241)	(81,439)	(81,452)
Non-current liabilities			
Defined benefit pension liability	**(16,316)**	(11,718)	(12,332)
Other payables	**(8,649)**	(8,313)	(8,830)
Deferred tax liability	**(8,002)**	(10,530)	(9,298)
Long term provisions	**(2,992)**	(2,646)	(3,296)
	(35,959)	(33,207)	(33,756)
Total liabilities	**(108,200)**	(114,646)	(115,208)
Net assets	**158,847**	145,821	164,237
EQUITY			
Capital and reserves			
Issued capital	**2,060**	2,080	2,080
Share premium account	**13,533**	13,533	13,533
Capital redemption reserve	**379**	359	359
Retained earnings	**142,875**	129,849	148,265
Total equity attributable to equity holders of the parent	**158,847**	145,821	164,237

Greggs plc
Condensed consolidated statement of changes in equity
For the 26 weeks ended 3 July 2010

26 weeks ended 27 June 2009

	Issued capital	Share premium	Capital redemption reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
At 28 December 2008	2,080	13,533	359	131,975	147,947
Total comprehensive income for the period					
Profit for the period	-	-	-	11,404	11,404
Other comprehensive income	-	-	-	(4,173)	(4,173)
Total comprehensive income for the period	-	-	-	7,231	7,231
Transactions with owners, recorded directly in equity					
Sale of own shares	-	-	-	200	200
Share based payments	-	-	-	540	540
Dividends to equity holders	-	-	-	(10,097)	(10,097)
Total transactions with owners	-	-	-	(9,357)	(9,357)
Balance at 27 June 2009	2,080	13,533	359	129,849	145,821

53 weeks ended 2 January 2010

	Issued capital	Share premium	Capital Redemption reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
At 28 December 2008	2,080	13,533	359	131,975	147,947
Total comprehensive income for the year					
Profit for the financial year	-	-	-	34,374	34,374
Other comprehensive income	-	-	-	(4,982)	(4,982)
Total comprehensive income for the year	-	-	-	29,392	29,392
Transactions with owners, recorded directly in equity					
Sale of own shares	-	-	-	1,182	1,182
Share based payments	-	-	-	982	982
Dividends to equity holders	-	-	-	(15,339)	(15,339)
Tax items taken directly to reserves	-	-	-	73	73
Total transactions with owners	-	-	-	(13,102)	(13,102)
At 2 January 2010	2,080	13,533	359	148,265	164,237

26 weeks ended 3 July 2010

	Issued capital	Share premium	Capital redemption reserve	Retained earnings	**Total**
	£'000	£'000	£'000	£'000	**£'000**
At 3 January 2010	2,080	13,533	359	148,265	**164,237**
Total comprehensive income for the period					
Profit for the period	-	-	-	12,997	**12,997**
Other comprehensive income	-	-	-	(3,331)	**(3,331)**
Total comprehensive income for the period	-	-	-	9,666	**9,666**
Transactions with owners, recorded directly in equity					
Shares purchased and cancelled	(20)	-	20	(4,532)	**(4,532)**
Sale of own shares	-	-	-	570	**570**
Share based payments	-	-	-	450	**450**
Dividends to equity holders	-	-	-	(11,544)	**(11,544)**
Total transactions with owners	(20)	-	20	(15,056)	**(15,056)**
Balance at 3 July 2010	2,060	13,533	379	142,875	**158,847**

Greggs plc
Condensed consolidated statement of cash flows
For the 26 weeks ended 3 July 2010

	26 weeks ended 3 July 2010	26 weeks ended 27 June 2009	53 weeks ended 2 January 2010
	£'000	£'000	£'000
Operating activities			
Cash generated from operating activities (see below)	**24,923**	39,037	87,944
Income tax paid	**(7,763)**	(6,710)	(14,731)
Net cash inflow from operating activities	**17,160**	32,327	73,213
Cash flows from investing activities			
Acquisition of property, plant and equipment	**(12,376)**	(10,417)	(30,296)
Proceeds from sale of property, plant and equipment	**509**	422	2,368
Interest received	**95**	192	346
Net cash outflow from investing activities	**(11,772)**	(9,803)	(27,582)
Cash flows from financing activities			
Sale of own shares	**570**	200	1,182
Shares purchased and cancelled	**(4,532)**	-	-
Dividends paid	**(11,544)**	(10,097)	(15,339)
Government grants received	**49**	200	1,087
Net cash outflow from financing activities	**(15,457)**	(9,697)	(13,070)
Net (decrease) / increase in cash and cash equivalents	**(10,069)**	12,827	32,561
Cash and cash equivalents at the start of the period	**34,619**	2,058	2,058
Cash and cash equivalents at the end of the period	**24,550**	14,885	34,619

Cash flow statement – cash generated from operations

	26 weeks ended 3 July 2010 £'000	26 weeks ended 27 June 2009 £'000	53 weeks ended 2 January 2010 £'000
Profit for the period	**12,997**	11,404	34,374
Amortisation	**73**	-	107
Depreciation	**13,849**	13,238	27,218
Loss on sale of property, plant and equipment	**264**	151	10
Release of government grants	**(214)**	(108)	(228)
Share based payment expenses	**450**	540	982
Finance income	**(95)**	(192)	(346)
Income tax expense	**5,570**	5,123	14,405
(Increase) / decrease in inventories	**(1,161)**	334	266
Decrease / (increase) in debtors	**1,171**	(3,319)	1,492
(Decrease) / increase in creditors	**(7,034)**	12,840	11,103
Movement in pension liability	**(643)**	189	(321)
Decrease in provisions	**(304)**	(1,163)	(1,118)
Cash generated from operating activities	**24,923**	39,037	87,944

Notes

1. Basis of preparation and accounting policies

The condensed accounts have been prepared for the 26 weeks ended 3 July 2010. Comparative figures are presented for the 26 weeks ended 27 June 2009. These condensed accounts 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 accounts, and should be read in conjunction with the Group accounts for the 53 weeks ended 2 January 2010.

These condensed accounts are unaudited and were approved by the Board of Directors on 10 August 2010.

The information for the 53 weeks ended 2 January 2010 does not constitute statutory accounts as defined by section 435 of the Companies Act 2006. Those accounts 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 498(2) or (3) of the Companies Act 2006.

The accounting policies applied by the Group in these condensed accounts are the same as those applied by the Group in its consolidated accounts for the 53 weeks ended 2 January 2010 other than those disclosed in note 2.

A minor presentational change was made to the income statement in the second half of 2009 reallocating some salary and associated costs from administrative expenses to cost of sales and distribution and selling costs and consequently the comparative figures for the period ended 27 June 2009 have been restated on the same basis. There is no impact on net profit.

2. Changes in accounting policies

From 3 January 2010 the following standards, amendments and interpretations became effective and were adopted by the Group:

- Amendment to IFRIC 9 and IAS 39 Embedded Derivatives;
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items;
- Revised IFRS 3 Business Combinations;
- Amendments to IAS 27 Consolidated and Separate Financial Statements.

The adoption of the above has not had a significant impact on the Group's profit for the period or equity.

3. 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 26 weeks of the financial year remain the same as those stated on page 31 of our Annual Report and Accounts for the 53 weeks ended 2 January 2010, which are available on our website www.greggs.co.uk.

4. Operating segment

The Board has carefully considered the requirements of IFRS 8: *Operating Segments*, and concluded that, as there is still only one reportable segment whose revenue, profits, assets and liabilities are measured and reported on a consistent basis with the Group accounts no additional numerical disclosures are necessary.

5. Defined benefit pension scheme

The valuation of the defined benefit pension scheme for the purposes of IAS 19 as at 2 January 2010 has been updated as at 3 July 2010 and the movements have been reflected in these condensed accounts.

6. Taxation

The taxation charge for the 26 weeks ended 3 July 2010 and 27 June 2009 is calculated by applying the Directors' best estimate of the annual effective tax rate to the profit for the period.

7. Earnings per share

	26 weeks ended 3 July 2010	26 weeks ended 27 June 2009	53 weeks ended 2 January 2010
	£'000	£'000	£'000
Profit for the period attributable to equity holders of the parent	**12,997**	11,404	34,374

The number of ordinary shares in issue at 3 July 2010 was 102,990,470 (27 June 2009 and 2 January 2010: 103,990,470). The weighted average number of ordinary shares outstanding during the period was 101,022,715 (26 weeks ended 27 June 2009: 100,758,294 and 53 weeks ended 2 January 2010: 100,819,649). The diluted weighted average number of ordinary shares outstanding during the period was 101,980,629 (26 weeks ended 27 June 2009: 101,040,749 and 53 weeks ended 2 January 2010: 101,247,513).

8. Dividends

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

Dividend declared	**26 weeks ended 3 July 2010**	26 weeks ended 27 June 2009	53 weeks ended 2 January 2010
	Pence per share	Pence per share	Pence per share
2008 final dividend	**-**	10.0p	10.0p
2009 interim dividend	**-**	-	5.2p
2009 final dividend	**11.4p**	-	-
	11.4p	10.0p	15.2p

	26 weeks ended 3 July 2010	26 weeks ended 27 June 2009	53 weeks ended 2 January 2010
	£'000	£'000	£'000
Total dividend payable			
2008 final dividend	**-**	10,097	10,097
2009 interim dividend	**-**	-	5,242
2009 final dividend	**11,544**	-	-
Total dividend paid in period	**11,544**	10,097	15,339
Dividend proposed at period end and not included as a liability in the accounts			
2009 interim dividend (5.2p per share)	**-**	5,242	-
2009 final dividend (11.4 p per share)	**-**	-	11,525
2010 interim dividend (5.5p per share)	**5,515**	-	-
	5,515	5,242	11,525

9. Related party transactions

There have been no related party transactions in the first 26 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 53 weeks ended 2 January 2010.

10. Half year report

The condensed accounts were approved by the Board of Directors on 10 August 2010 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.co.uk.

11. 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 accounts has been prepared in accordance with IAS 34 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 26 weeks of the financial year and their impact on the condensed set of accounts; and a description of the principal risks and uncertainties for the remaining 26 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 26 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 53 weeks ended 2 January 2010. There have been no changes since the Annual Report and Accounts was published.

For and on behalf of the Board of Directors

Kennedy McMeikan Chief Executive	Richard Hutton Finance Director

10 August 2010