2 August 2022

INTERIM RESULTS FOR THE 26 WEEKS ENDED 2 JULY 2022

Greggs is a leading UK food-on-the-go retailer, with more than 2,200 retail outlets throughout the country

Trading in line with plan and good strategic progress

First half financial highlights

	H1 2022	H1 2021
Total sales	**£694.5m**	£546.2m
Pre-tax profit	**£55.8m**	£55.5m
Diluted earnings per share	**44.8p**	43.2p
Ordinary interim dividend per share	**15.0p**	15.0p

- Total sales up 27.1%, with 22.4% LFL* sales growth in first half of 2022 (Q1: 36.9%, Q2: 11.2%)
- First half LFL sales 12.3% higher than comparable period in 2019
- Flat profit outcome primarily reflects re-introduction of business rates, increase in VAT and higher levels of cost inflation
- Strong cash position and good liquidity, with net cash at period end of £145.7m, having paid a special dividend of 40p per share (£40.6m total) in April 2022

* Like-for-like (LFL) company-managed shop sales performance against comparable period in 2021

Operational and strategic developments

- **Shop opening progress**: 70 new shops opened in first half, 12 closures; 2,239 shops as at 2 July 2022. Strong pipeline, anticipate circa 150 net new shop openings in 2022

- **Growth channels**: extension of evening hours going well, delivery service continuing to prove incremental despite recovery of 'walk-in' trade

- **Greggs App:** strong growth in usage driving loyalty engagement. New services such as Click + Collect and product customisation progressing well

- **New product development**: menu development focused on healthier choices, hot food and evening daypart

- **Infrastructure**: new manufacturing capacity progressing well, technology development now focused on digital

- **Greggs Pledge:** Science-based targets for emissions submitted for verification. National Equality Standard accreditation achieved and first "Eco-Shop" opened to test solutions to minimise environmental impact of retail operations

- **Chair succession:** Matt Davies announced today as Chair Designate, succeeding Ian Durant from 1 November 2022

"Greggs delivered an encouraging performance in the first half of the year with sales ahead of 2019 levels. These results demonstrate the continued strength of the Greggs brand and demand for our great tasting, quality and value for money offering.

"During the period we continued to make good progress with our strategic priorities, including expanding our shop estate and making Greggs more accessible to customers through extended trading hours and digital channels.

"In a market where consumer incomes are under pressure Greggs offers exceptional value for customers looking for food and drink on-the-go. We are well positioned to navigate the widely publicised challenges affecting the economy and continue to have a number of exciting growth opportunities ahead, with a clear strategy for expansion. We remain confident in Greggs' ability to deliver continued success."

\- ***Roisin Currie, Chief Executive***

ENQUIRIES:

Greggs plc	**Hudson Sandler**
Roisin Currie, Chief Executive	Wendy Baker / Hattie Dreyfus
Richard Hutton, Finance Director	Nick Moore / Emily Brooker
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An audio webcast of the analysts' presentation will be available to download later today at http://corporate.greggs.co.uk/

CHIEF EXECUTIVE'S REPORT

Greggs has continued to trade well in 2022 with like-for-like (LFL) sales in company-managed shops growing by 22.4% (Q1: 36.9%, Q2: 11.2%) when compared with the equivalent period of 2021. As expected, the rate of growth in the second quarter began to normalise but remained encouraging as we passed the anniversary of restrictions being lifted in 2021. Total sales for the 26 weeks to 2 July 2022 were £694.5 million, an increase of 27.1% (H1 2021: £546.2 million).

We are making good progress with our strategic priorities, growing the shop estate at a faster pace and making Greggs more accessible to customers through extended trading hours and digital channels. At the same time, we continue to invest in further improving the sustainability of Greggs as a major brand in the food-on-the-go market.

Operational review

Sales levels were encouraging in the first half of 2022. Performance in the first quarter was flattered by comparison with restricted trading conditions in the same period of 2021 but we are now reporting against a more similar year-on-year base. Comparing with the pre-pandemic level, first half like-for-like sales in company-managed shops were 12.3% per cent higher than the equivalent period of 2019 despite footfall remaining below 2019 levels.

The breadth of the Greggs estate continues to provide geographical diversification as consumer behaviour adjusts coming out of the pandemic. Our strong presence in towns and suburbs, along with a growing portfolio of convenient roadside shops, has counter-balanced the slower recovery seen in large city centres and public transport hubs.

Our estate expansion has been focused away from traditional shopping areas while, at the same time, we have taken the opportunity to grow in catchments where Greggs has traditionally been underrepresented, such as central London and rail hubs. In the first half of 2022 we opened 70 new shops (including 26 franchised units) and closed 12 shops, giving a total of 2,239 shops (of which 401 are franchised) trading at 2 July 2022.

In June 2022 we opened our 400th franchised shop in Selby in partnership with our newest franchise partner, Rontec, one of the leading players in the UK forecourt industry. Other notable shop openings in the first half of 2022 included three 'drive-thru' sites, of which we have a growing pipeline, and our in-store café concept in Primark Birmingham. In the most recent two weeks we have also opened shops in London's Leicester Square and Liverpool Street Station.

Strategic development

We have a clear plan to address the many attractive growth opportunities available to Greggs over the coming years. This was set out at our Capital Markets Day in October 2021 and we have made good progress in the first half of 2022 as we seek to make Greggs more accessible to customers across multiple channels and dayparts. Our strategic investment in the Greggs estate, brand and support infrastructure over recent years puts us in a strong position to move forward at pace.

Estate growth

We see a clear opportunity for Greggs to expand its UK estate to at least 3,000 shops, and have increased the rate at which we are opening in new locations given the increased availability of good sites. Our confidence in the scale of opportunity is underpinned by the success we have already had in catchments where Greggs currently has a relatively low presence such as retail parks, railway stations, airports, supermarkets and central London.

The Greggs brand, and our strong, proven covenant is attractive to landlords and has resulted in a strong pipeline of opportunities. In 2022 we expect to open 150 net new shops and believe that this rate of growth is sustainable beyond the current year. At least a third of this annual growth is expected to be achieved with franchise partners; we currently have fourteen such partners covering travel and convenience shopping catchments.

Shop refurbishment will also play a part in enabling the strategic growth agenda. Our latest shopfitting standard, which is already being deployed for all new shops and relocations, supports operational excellence in serving new channels such as delivery and Click + Collect, as well as presenting an attractive, modern environment for customers. We expect to refurbish around 100 shops to this standard in 2022, progressing to 250 annually in the medium term.

Evening trade

The evening daypart represents the largest segment of the food-to-go market by value, but is the area where Greggs currently has the lowest penetration. By extending trading hours, addressing menu options and offering delivery we believe that Greggs can increase its participation in the evening market, further leveraging our investment in facilities that are under-utilised after 4pm.

In the first half of 2022 we extended trading hours in the company-managed estate. 300 shops now trade until at least 8pm (July 2021: 130). In the second half of 2022 we will extend trading hours in more shops as we better understand the extent of demand in different locations. The evening daypart is now our strongest-growing trading time, albeit from a low base.

Ranging trials have reinforced the importance of hot food options in the evening daypart, as well as the demand for our core food and drink range. In developing the range our aim is to stock options that are in demand throughout the day, in order to minimise operational complexity and maintain strong availability for customers.

Delivery

Delivery, through our partnership with Just Eat, is now available across the UK from 1,180 of our shops, up from 1,000 at the start of the year. Delivery is a channel that presents further growth potential for Greggs as we learn to serve it more effectively and increase availability into the evening.

The recovery in out-of-home activity over the past twelve months has seen a market-wide trend whereby a proportion of delivery customers have switched their purchases back to the walk-in channel. It is clear, however, that the majority of the new trade we have generated through delivery is incremental and that it offers additional access to Greggs at times when customers are unable to visit our shops themselves.

Greggs App

The Greggs App, relaunched in 2021, offers a convenient platform for customers to access additional services from Greggs whilst also being rewarded for their loyalty. Use of the app has grown strongly, aided by increased marketing of the benefits. From a strategic perspective the Greggs App offers:

- Rewards – our loyalty proposition rewards customers for their purchases via the accumulation of ‘stamps’, which can then be exchanged for free products. The scheme is increasing the frequency with which app customers visit us whilst enhancing further Greggs’ market-leading reputation for great value.
- Click + Collect – customers can skip the queue by pre-ordering, and guarantee availability before they visit. In the first half of 2022 we launched personalised pizza toppings as an option for customers who use Click + Collect to pre-order. In time we expect customisation to be extended to other elements of our made-in-store range.
- Deeper customer understanding – our investment in technology to help us better understand our customers’ behaviours and preferences will enable us to tailor our communications and experiences with them. Our new CRM platform is now live and a key step forward in our vision to truly understand our customers’ needs across all of our channels and to enable us to serve them even better, every day.

Menu development

Menu development supports our strategic growth objectives as well as the commitments made in the Greggs Pledge.

In the first half of 2022 we broadened our healthier choices through the launch of two salad meal boxes - Smoky Cajun Rice with BBQ Chicken & Sweetcorn Fritters and Sweet Potato Bhaji & Rice, which is a vegan option. Both can be eaten cold or taken away to heat. We also continued to incentivise healthier choices by offering fruit pots for just 75 pence as an add-on to our meal deals.

To meet demand for hot food options we continued to roll out hot food cabinets, particularly to those shops that are targeting the evening trade. 867 company-managed shops now have hot food cabinets and we plan to add a further 400 in the second half of the year.

To support further our objective of growing the level of trade in the evening we have added two new pizza flavours, Mexican Chicken and Pepperoni Hot Shot. Our great-value pizza offer can now be accessed through the walk-in, Click + Collect and delivery channels. Customers can customise their pizza toppings when ordering through our digital channels and we intend to trial the customisation of sandwich fillings in the second half of 2022.

Supply chain development

The development of our supply chain will support the significant growth opportunity ahead of us and require additional manufacturing and logistics capacity. In the third quarter of 2022 we expect to commission the new pizza manufacturing line that is under construction at our Enfield manufacturing site. At Balliol Park in Newcastle, we are undertaking preparatory works ahead of adding a fourth line to extend capacity for the production of our iconic savoury products.

Our plans for ambitious growth will require the addition of further manufacturing and logistics capacity in the years ahead. We have been exploring site options on which to base this capacity and expect to make further progress on this in the second half of the year.

Support systems

In the first half of 2022 we achieved a major milestone with the completion of the deployment of SAP across our supply chain, a huge achievement for the teams involved. The focus of our systems development has now turned to support for our growth ambitions, particularly our digital capabilities but also the integration of new channels to our core systems. In a tight labour market, we have also been working on an upgraded recruitment platform that will improve current processes and the overall candidate experience.

Greggs Pledge

Our separate sustainability report details the progress made in 2021 on the objectives of the Greggs Pledge, our commitment to further improve our ESG credentials in ten key areas. In the first half of 2022 we continued to advance this agenda, and were delighted to achieve the National Equality Standard, an industry-recognised standard for diversity and inclusion. This accreditation reflects the significant progress we have made in respect of diversity and inclusion whilst supporting us to identify areas where we can continue to improve. A key element of the accreditation was having leaders who advocate diversity and inclusion, supporting people through their employment journey and having strategies in place to drive change.

We have also been focused on setting science-based targets to reduce our emissions in line with a 1.5^{oC} ambition. These targets have now been submitted to the Science Based Targets initiative for verification, and will support our ambition to be Net Zero in Scopes 1 & 2 by 2035, and in Scope 3 by 2040.

Another notable landmark in early July was the opening of our first “Eco-Shop” in Northampton. This gives us a platform to develop and test solutions to minimise our impact on the environment by cutting down on waste and reducing the use of energy and water. Successful elements of the trial will be rolled out in line with our Pledge commitment.

Board changes

Today we have announced the appointment of Matt Davies as an independent non-executive director and Chair Designate with immediate effect. Matt will succeed Ian Durant as Chair of the Board of Greggs on 1st November 2022, when Ian steps down from the Board. On behalf of the Board I would like to thank Ian for his support and leadership through what has been a transformational period for Greggs.

As part of our ongoing plans to ensure smooth succession for Board roles Lynne Weedall, who joined the Board in May 2022, will become Chair of our Remuneration Committee with effect from 1 September 2022.

Financial performance

Total sales for the 26 weeks to 2 July 2022 were £694.5 million (H1 2021: £546.2 million). Like-for-like sales in company-managed shops grew by 22.4% (Q1: 36.9%, Q2: 11.2%).

Pre-tax profit was £55.8 million in the first half of 2022 (H1 2021: £55.5 million). The contribution from sales in the period was significantly stronger than that seen under the more restricted conditions experienced in the first half of 2021, although the 2021 outcome did benefit from temporary relief from business rates and reduced rates of VAT. We have worked hard to mitigate the impact of cost inflation on customers but some further small price increases have been necessary; these appear not to have impacted transaction numbers.

The rate of cost inflation increased significantly in the first half of the year, driven by food, packaging and energy commodities. We have continued to extend forward our purchasing cover and have fixed input prices for an average of around five months of our future requirements across these areas. Across all cost areas we now estimate that the overall level of cost inflation in 2022 will be around nine per cent, although some uncertainty remains.

The net financing expense of £3.2 million in the period (H1 2021: £3.9 million) comprised £3.2 million in respect of the IFRS 16 interest charge on lease liabilities, £0.4 million of facility charges under the Company's (undrawn) financing facilities and £0.4m income relating to interest received on bank deposits, the Company's defined benefit pension scheme and foreign exchange gains.

The effective rate of Corporation Tax for the period was 17.7% (H1 2021: 20.0%) with the year-on-year reduction reflecting the availability of super-deduction capital allowances.

Diluted earnings per share for the period were 44.8 pence (H1 2021: 43.2 pence).

Capital expenditure and financial position

Capital expenditure during the first half was £41.9 million (H1 2021: £23.5 million) as we increased investment in line with our estate growth and development plans and neared completion of additional pizza capacity at our Enfield manufacturing site. In the balance of the year we will continue the development of our retail estate. We are making good progress with the identification of potential sites for expansion of our supply chain. The timing of any land purchase will be material to 2022 capital expenditure and, in the context of the uncertainty over this, our full year guidance of circa £170 million capital expenditure remains appropriate.

We continue to carry a higher-than-normal cash position in order to fund the investment in our significant growth programme and ended the period with a cash balance of £145.7 million (3 July 2021: £118.3 million). In addition, the Company has access to a revolving credit facility that allows it to draw up to £100 million in committed funds, subject to it retaining a minimum liquidity of £30 million (i.e. maximum net borrowings are £70 million).

Dividends

The previously-declared special dividend of 40.0 pence per share was paid in April 2022.

The Board has declared an interim dividend of 15.0 pence per share (2021: 15.0 pence). The overall ordinary dividend for the year will be proposed in line with our progressive dividend policy, which targets a full year ordinary dividend that is around two times covered by underlying earnings.

The interim dividend will be paid on 7 October 2022 to those shareholders on the register at the close of business on 9 September 2022.

Outlook

Despite market-wide inflationary pressures Greggs has continued to perform well. Consumer behaviour is still recovering from the impact of the pandemic and employment levels are high. In a market where consumer incomes are under pressure Greggs offers exceptional value for customers looking for food and drink on-the-go. In the four weeks to 30 July like-for-like sales in company-managed shops were 13.1% above the equivalent period of 2021.

Clearly there are considerable uncertainties in the economy as a whole, but we continue to trade in line with our plan and are making good progress against our strategic objective to become a larger, multi-channel business. As such, the Board's expectations for the full year outcome remain unchanged.

Roisin Currie
Chief Executive
2 August 2022

Greggs plc
Consolidated income statement
For the 26 weeks ended 2 July 2022

	26 weeks ended 2 July 2022	26 weeks ended 3 July 2021	52 weeks ended 1 January 2022
	Total	Total	Total
	£m	£m	£m
Revenue	**694.5**	546.2	1,229.7
Cost of sales	**(260.7)**	(196.3)	(447.7)
Gross profit	**433.8**	349.9	782.0
Distribution and selling costs	**(339.3)**	(257.8)	(567.6)
Administrative expenses	**(35.5)**	(32.7)	(61.2)
Operating profit	**59.0**	59.4	153.2
Finance expense (net)	**(3.2)**	(3.9)	(7.6)
Profit before tax	**55.8**	55.5	145.6
Income tax	**(9.9)**	(11.1)	(28.1)
Profit for the period attributable to equity holders of the parent	**45.9**	44.4	117.5
Basic earnings per share	**45.2p**	43.8p	115.7p
Diluted earnings per share	**44.8p**	43.2p	114.3p

Greggs plc
Consolidated statement of comprehensive income
For the 26 weeks ended 2 July 2022

	26 weeks ended 2 July 2022 £m	26 weeks ended 3 July 2021 £m	52 weeks ended 1 January 2022 £m
Profit for the period	**45.9**	44.4	117.5
Other comprehensive income			
Items that will not be recycled to profit and loss:			
Remeasurements on defined benefit pension plans	**2.2**	13.8	7.1
Tax on remeasurements on defined benefit pension plans	**0.0**	(3.5)	(1.7)
Other comprehensive income for the period, net of income tax	**2.2**	10.3	5.4
Total comprehensive income for the period	**48.1**	54.7	122.9

Greggs plc
Consolidated balance sheet
as at 2 July 2022

	2 July 2022	3 July 2021	1 January 2022
	£m	£m	£m
ASSETS			
Non-current assets			
Intangible assets	**14.0**	15.0	14.9
Property, plant and equipment	**355.4**	340.3	343.8
Right-of-use assets	**271.1**	269.2	263.6
Defined benefit pension asset	**2.3**	4.3	-
	642.8	628.8	622.3
Current assets			
Inventories	**33.1**	24.8	27.9
Trade and other receivables	**37.3**	36.3	37.6
Assets held for resale	**-**	-	1.6
Current tax	**-**	-	0.4
Cash and cash equivalents	**145.7**	118.3	198.6
	216.1	179.4	266.1
Total assets	**858.9**	808.2	888.4
LIABILITIES			
Current liabilities			
Trade and other payables	**(149.1)**	(115.5)	(153.4)
Current tax liability	**(5.8)**	(1.3)	-
Lease liabilities	**(49.7)**	(49.4)	(49.3)
Provisions	**(3.9)**	(3.1)	(4.2)
	(208.5)	(169.3)	(206.9)
Non-current liabilities			
Other payables	**(3.0)**	(3.5)	(3.2)
Defined benefit pension liability	**-**	-	(2.4)
Lease liabilities	**(241.2)**	(240.1)	(233.9)
Deferred tax liability	**(12.5)**	(5.9)	(10.0)
Long-term provisions	**(2.1)**	(3.8)	(2.8)
	(258.8)	(253.3)	(252.3)
Total liabilities	**(467.3)**	(422.6)	(459.2)
Net assets	**391.6**	385.6	429.2
EQUITY			
Capital and reserves			
Issued capital	**2.0**	2.0	2.0
Share premium account	**22.3**	19.3	20.0
Capital redemption reserve	**0.4**	0.4	0.4
Retained earnings	**366.9**	363.9	406.8
Total equity attributable to equity holders of the Parent	**391.6**	385.6	429.2

Greggs plc
Consolidated statement of changes in equity
For the 26 weeks ended 2 July 2022

26 weeks ended 3 July 2021

	Issued capital	Share premium	Capital redemption reserve	Retained earnings	Total
	£m	£m	£m	£m	£m
Balance at 3 January 2021	2.0	15.7	0.4	303.5	**321.6**
Total comprehensive income for the period					
Profit for the period	-	-	-	44.4	**44.4**
Other comprehensive income	-	-	-	10.3	**10.3**
Total comprehensive income for the period	-	-	-	54.7	**54.7**
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	-	3.6	-	-	**3.6**
Sale of own shares	-	-	-	0.3	**0.3**
Share-based payment transactions	-	-	-	2.5	**2.5**
Tax items taken directly to reserves	-	-	-	2.9	**2.9**
Total transactions with owners	-	3.6	-	5.7	**9.3**
Balance at 3 July 2021	2.0	19.3	0.4	363.9	**385.6**

52 weeks ended 1 January 2022

	Issued capital	Share premium	Capital redemption reserve	Retained earnings	**Total**
	£m	£m	£m	£m	£m
Balance at 3 January 2021	2.0	15.7	0.4	303.5	321.6
Total comprehensive income for the period					
Profit for the financial year	-	-	-	117.5	117.5
Other comprehensive income	-	-	-	5.4	5.4
Total comprehensive income for the year	-	-	-	122.9	122.9
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	-	4.3	-	-	4.3
Sale of own shares	-	-	-	0.3	0.3
Purchase of own shares	-	-	-	(10.0)	(10.0)
Share-based payment transactions	-	-	-	2.2	2.2
Dividends to equity holders	-	-	-	(15.3)	(15.3)
Tax items taken directly to reserves	-	-	-	3.2	3.2
Total transactions with owners	-	4.3	-	(19.6)	(15.3)
Balance at 1 January 2022	2.0	20.0	0.4	406.8	429.2

26 weeks ended 2 July 2022

	Issued capital	Share premium	Capital redemption reserve	Retained earnings	**Total**
	£m	£m	£m	£m	**£m**
Balance at 2 January 2022	**2.0**	**20.0**	**0.4**	**406.8**	**429.2**
Total comprehensive income for the period					
Profit for the period	**-**	**-**	**-**	**45.9**	**45.9**
Other comprehensive income	**-**	**-**	**-**	**2.2**	**2.2**
Total comprehensive income for the period	**-**	**-**	**-**	**48.1**	**48.1**
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	**-**	**2.3**	**-**	**-**	**2.3**
Purchase of own shares	**-**	**-**	**-**	**(3.0)**	**(3.0)**
Share-based payment transactions	**-**	**-**	**-**	**2.1**	**2.1**
Dividends to equity holders				**(83.3)**	**(83.3)**
Tax items taken directly to reserves	**-**	**-**	**-**	**(3.8)**	**(3.8)**
Total transactions with owners	**-**	**2.3**	**-**	**(88.0)**	**(85.7)**
Balance at 2 July 2022	**2.0**	**22.3**	**0.4**	**366.9**	**391.6**

Greggs plc
Consolidated statement of cash flows
For the 26 weeks ended 2 July 2022

	26 weeks ended 2 July 2022	26 weeks ended 3 July 2021	52 weeks ended 1 January 2022
	£m	£m	£m
Cash flows from operating activities			
Cash generated from operations (see page 14)	**100.1**	130.8	312.1
Income tax paid	**(5.0)**	(6.7)	(19.2)
Interest paid on lease liabilities	**(3.2)**	(3.1)	(6.3)
Interest paid on loans and borrowings	**(0.4)**	(0.8)	(1.1)
Net cash inflow from operating activities	**91.5**	120.2	285.5
Cash flows from investing activities			
Acquisition of property, plant and equipment	**(34.6)**	(17.3)	(50.5)
Acquisition of intangible assets	**(1.5)**	(1.6)	(3.8)
Proceeds from sale of property, plant and equipment	**1.9**	0.2	0.3
Interest received	**0.3**	-	-
Net cash outflow from investing activities	**(33.9)**	(18.7)	(54.0)
Cash flows from financing activities			
Proceeds from issue of share capital	**2.2**	3.6	4.3
Sale of own shares	**-**	0.3	0.3
Purchase of own shares	**(3.0)**	-	(10.0)
Dividends paid	**(83.3)**	-	(15.3)
Repayment of principal of lease liabilities	**(26.4)**	(23.9)	(49.0)
Net cash outflow from financing activities	**(110.5)**	(20.0)	(69.7)
Net (decrease) / increase in cash and cash equivalents	**(52.9)**	81.5	161.8
Cash and cash equivalents at the start of the period	**198.6**	36.8	36.8
Cash and cash equivalents at the end of the period	**145.7**	118.3	198.6

Greggs plc
Consolidated statement of cash flows (continued)
For the 26 weeks ended 2 July 2022

Cash flow statement – cash generated from operations

	26 weeks ended 2 July 2022	26 weeks ended 3 July 2021	52 weeks ended 1 January 2022
	£m	£m	£m
Profit for the period	**45.9**	44.4	117.5
Amortisation	**2.4**	2.2	4.5
Depreciation – property, plant and equipment	**28.2**	26.9	54.2
Depreciation – right-of-use assets	**25.9**	23.9	48.7
Impairment reversal – property, plant and equipment	**(0.2)**	(0.6)	(1.9)
Impairment charge/(reversal) – right-of-use assets	**0.6**	(1.4)	(1.6)
Loss on sale of property, plant and equipment	**0.5**	0.3	0.9
Release of government grants	**(0.2)**	(0.2)	(0.5)
Share-based payment expenses	**2.1**	2.5	2.2
Finance expense	**3.2**	3.9	7.6
Income tax expense	**9.9**	11.1	28.1
Increase in inventories	**(5.3)**	(2.2)	(5.4)
Decrease in receivables	**0.3**	3.1	1.8
(Decrease) / increase in payables	**(9.7)**	19.9	58.9
(Decrease) in provisions	**(1.0)**	(0.5)	(0.4)
Decrease in pension liability	**(2.5)**	(2.5)	(2.5)
Cash from operating activities	**100.1**	130.8	312.1

Notes

1. Basis of preparation

The condensed accounts have been prepared for the 26 weeks ended 2 July 2022. Comparative figures are presented for the 26 weeks ended 3 July 2021. These condensed accounts have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the UK. They do not include all the information required for full annual accounts, and should be read in conjunction with the Group accounts for the 52 weeks ended 1 January 2022.

These condensed accounts are unaudited and were approved by the Board of Directors on 2 August 2022.

The comparative figures for the 52 weeks ended 1 January 2022 are not the Company's statutory accounts for that financial year. Those accounts were reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report; and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Going concern

The Directors have considered the adoption of the going concern basis of preparation for these condensed accounts. The Directors have reviewed cash flow forecasts prepared for a period of 18 months from the date of approval of these condensed accounts.

At the end of the reporting period the Group had £215.7 million of available liquidity including £145.7 million cash and cash equivalents and £70.0 million of the undrawn revolving credit facility ('RCF').

In reviewing the cash flow forecasts the Directors considered the current trading position of the Group and the likely capital expenditure and working capital requirements of its growth plans. The cashflow forecasts show that the Group expects to comply with the covenants included within the RCF agreement throughout the review period. The main uncertainty for the review period is the impact of cost inflation on both the Group's cost base and also on consumer disposable income. Trading to date has been in line with our plan and given the significant liquidity available we do not believe this presents a risk to our ability to continue as a going concern.

Taking into account the current cash level and the committed facilities the Directors are confident that the Group will have sufficient funds to allow it to continue to operate. After reviewing the projections and sensitivity analysis the Directors believe that it is appropriate to prepare the condensed accounts on a going concern basis.

Judgements and estimates

In preparing these condensed accounts, management have made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In addition to the key estimates and judgements disclosed in the consolidated accounts for the 52 weeks ended 1 January 2022 the following additional areas have been identified or updated for the 26 weeks ended 2 July 2022.

Impairment

Property, plant and equipment and right-of-use assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. For example, shop fittings and right-of-use assets may be impaired if sales in that shop fall. When a review for impairment is conducted, the recoverable amount is estimated based on either value-in-use calculations or fair value less costs of disposal. Value-in-use calculations are based on management's estimates of future cash flows generated by the assets and an appropriate discount rate. Consideration is also given to whether the impairment assessments made in prior years remain appropriate based on the latest expectations in respect of recoverable amount. Where it is concluded that the impairment has reduced, a reversal of the impairment is recorded.

The Covid-19 pandemic meant that during 2020 and 2021 all shops had periods of no, or reduced, sales and this was deemed to be an impairment trigger in both financial years. As a result, assets in company-managed shops were tested for impairment for the 2020 and 2021 financial years. Sales have performed in line with expectations for the first 6 months of 2022, however given the level of impairment previously recognised and with customer transaction numbers remaining below pre-pandemic levels the impairment review has been updated as at 2 July 2022 using the following assumptions:

- Shops have been categorised into different catchment areas (e.g. city centres, transport hubs, retail parks) and assumptions made as to the rate of like-for-like sales recovery for each catchment;
- Like-for-like sales excluding price inflation and the incremental impact of delivery have been assumed to return to a level equivalent to the pre-Covid-19 levels (on average across the estate) by June 2023. Like-for-like sales for the period 2023 to 2026 are then assumed to grow by an average of 3% per annum;
- Where shops are currently used to fulfil orders for delivery, or are planned to offer delivery in 2022, the net cash flows for fulfilling these orders are included within the estimated cash flows for the shop;

- Earnings before interest, tax, depreciation, amortisation and rent ('EBITDAR') is used as a proxy for net cash flow excluding rental payments;
- Cash flows have been discounted at a pre-tax discount rate that reflects the current market assessment of the time value of money, including a risk uplift for uncertainty of future cash flows. The discount rate as at 2 July 2022 was 9.0% (1 January 2022: 6.9%); and
- Consideration of the appropriate period over which to forecast cash flows, including reference to the lease term. Where considered appropriate cashflows have been included for periods beyond the lease probable end date (to a maximum of five years in accordance with IAS 36).

On the basis of these calculations a net impairment charge of £0.6m has been made in respect of 74 shops reflecting the higher discount rate used in the calculation.

2. Accounting policies

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 52 weeks ended 2 January 2022 other than as disclosed below:

- Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use;
- Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract; and
- Annual Improvements 2018-2020.

Their adoption did not have a material effect on the accounts.

Principal risks and uncertainties

The Directors have considered the principal risks and uncertainties which could have a material impact on performance for the remainder of the financial year.

The assessment of principal risks and uncertainties made in the 2021 Annual Report and Accounts remains valid and we do not believe there to have been any material changes in the profile of those risks since then.

We have considered whether the Company is facing any new principal risks since our last report and identified the following:

- The war in Ukraine has had the following impacts on our business:
    - Additional pressure on supply chains due to increased demand globally, resulting in increases to input prices.
    - Possible increased cyber security risks.
- Cost of living pressures are impacting the household budgets of customers. We continue to work hard to ensure that we offer exceptional value for customers looking for food and drink on-the-go.
- Lack of availability of certain ingredients for our products, which has resulted in the need for us to find alternatives. Our normal food safety processes ensure the integrity and safety of any substitute ingredients.
- We identified climate change as an emerging risk in our annual report. Work to understand the future impacts of this continues, and we anticipate including it as a principal risk in the 2022 Annual Report.

The assessment above should be read in conjunction with the statement of principal risks described on pages 59-62 in the 2021 Annual Report and Accounts. Other than the matters described above we believe our exposure to other principal risks faced by the business is not significantly different to that described in that statement.

3. Operating segments

The Board is considered to be the 'chief operating decision maker' of the Group in the context of the IFRS 8 definition. In addition to its company-managed retail activities, the Group generates revenues from its business to business channel which includes franchise and wholesale activities. Both channels were categorised as reportable segments for the purposes of IFRS 8.

Company-managed retail activities – the Group sells a consistent range of fresh bakery goods, sandwiches and drinks in its own shops or via delivery channels. Sales are made to the general public on a cash basis. All results arise in the UK.

Business to business channel – the Group sells products to franchise and wholesale partners for sale in their own outlets as well as charging a licence fee to franchise partners. These sales and fees are invoiced to the partners on a credit basis. All results arise in the UK.

All revenue in 2022 and 2021 was recognised at a point in time.

The Board regularly reviews the revenues and trading profit of each segment. The Board receives information on overheads, assets and liabilities on an aggregated basis consistent with the Group accounts.

	26 weeks ended 2 July 2022	**26 weeks ended 2 July 2022**	**26 weeks ended 2 July 2022**	26 weeks ended 3 July 2021	26 weeks ended 2 July 2021	26 weeks ended 3 July 2021	52 weeks ended 1 January 2022	52 weeks ended 1 January 2022	52 weeks ended 1 January 2022
	Retail company-managed shops	Business to business	Total	Retail company-managed shops	Business to business	Total	Retail company-managed shops	Business to business	Total
	£m	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Revenue	**622.6**	**71.9**	**694.5**	488.3	57.9	546.2	1,098.2	131.5	1,229.7
Trading profit*	**92.2**	**12.6**	**104.8**	86.9	12.1	99.0	207.1	28.5	235.6
Overheads including profit share			**(45.8)**			(39.6)			(82.4)
Operating profit			**59.0**			59.4			153.2
Finance expense			**(3.2)**			(3.9)			(7.6)
Profit before tax			**55.8**			55.5			145.6

* Trading profit is defined as gross profit less supply chain costs and retail costs (including property and direct management costs) and before central overheads.

4. Defined benefit pension scheme

The valuation of the defined benefit pension scheme for the purposes of IAS 19 (Revised) as at 1 January 2022 has been updated as at 2 July 2022 and the movements have been reflected in these condensed accounts.

5. Taxation

The taxation charge for the 26 weeks ended 2 July 2022 and 3 July 2021 is calculated by applying the Directors' best estimate of the annual effective tax rate to the profit or loss for the period using rates substantively enacted by the half year date as required by IAS34 'Interim Financial Reporting'.

6. Earnings per share

	26 weeks ended 2 July 2022	26 weeks ended 3 July 2021	52 weeks ended 1 January 2022
	Total	Total	Total
	£m	£m	£m
Profit for the period attributable to equity holders of the parent	**45.9**	44.4	117.5
Basic earnings per share	**45.2p**	43.8p	115.7p
Diluted earnings per share	**44.8p**	43.2p	114.3p

Weighted average number of ordinary shares

	26 weeks ended 2 July 2022 Number	26 weeks ended 3 July 2021 Number	52 weeks ended 1 January 2022 Number
Issued ordinary shares at start of period	**101,897,021**	101,426,038	101,426,038
Effect of shares issued	**28,515**	126,480	284,386
Effect of own shares held	**(369,828)**	(168,244)	(221,851)
Weighted average number of ordinary shares during the period	**101,555,708**	101,384,274	101,488,573
Effect of share options in issue	**902,676**	1,252,095	1,261,311
Weighted average number of ordinary shares (diluted) during the period	**102,458,384**	102,636,369	102,749,884
Issued ordinary shares at end of period	**102,046,258**	101,813,986	101,897,021

7. Dividends

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

Dividend declared	**26 weeks ended 2 July 2022**	26 weeks ended 3 July 2021	52 weeks ended 1 January 2022
	Pence per share	Pence per share	Pence per share
2021 interim dividend	**-**	-	15.0p
2021 special dividend	**40.0p**	-	-
2021 final dividend	**42.0p**	-	-
	82.0p	-	15.0p

	26 weeks ended 2 July 2022	26 weeks ended 3 July 2021	52 weeks ended 1 January 2022
	£m	£m	£m
Total dividend payable			
2021 interim dividend	**-**	-	15.3
2021 special dividend	**40.6**	-	-
2021 final dividend	**42.6**	-	-
Total dividend paid in period	**83.2**	-	15.3
Dividend proposed at period end and not included as a liability in the accounts			
2021 interim dividend (15.0p per share)	**-**	15.3	-
2021 special dividend (40.0p per share)	**-**	-	40.6
2021 final dividend (42.0p per share)	**-**	-	42.6
2022 interim dividend (15.0p per share)	**15.3**	-	-
	15.3	15.3	83.2

8. 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 52 weeks ended 1 January 2022.

9. Half year report

The condensed accounts were approved by the Board of Directors on 2 August 2022. They will be available on the Company's website, corporate.greggs.co.uk

10. Calculation of Alternative Performance Measures

One-year like-for-like (LFL) sales increase – Like-for-like (LFL) company-managed shop sales performance against comparable period in 2021

	26 weeks ended 2 July 2022
	£m
Current year LFL sales	**581.0**
2021 LFL sales	**474.6**
Increase	**106.4**
LFL sales increase percentage	**22.4%**

Three-year like-for-like (LFL) sales increase – Like-for-like (LFL) company-managed shop sales performance against comparable period in 2019

	26 weeks ended 2 July 2022
	£m
Current year LFL sales	**532.6**
2019 LFL sales	**474.1**
Increase	**58.5**
LFL sales increase percentage	**12.3%**

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 UK;
- 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 52 weeks ended 1 January 2022. On 1 February 2022 Roisin Currie was appointed as an Executive Director and on 17 May 2022 Lynne Weedall was appointed as an independent Non-Executive Director. On 17 May 2022 Roger Whiteside retired from the Board.

For and on behalf of the Board of Directors

Roisin Currie **Richard Hutton**