28 July 2020

INTERIM RESULTS FOR THE 26 WEEKS ENDED 27 JUNE 2020

***Greggs is a leading UK food-on-the-go retailer,
with more than 2,000 retail outlets throughout the country***

Resilient business model, encouraging re-start, confident of long-term growth

Adapting to the Covid-19 crisis

- Shops closed for most of the second quarter
- Temporary financing arranged through Covid Corporate Financing Facility (CCFF)
- Coronavirus Job Retention Scheme (CJRS) enabling continued employment of furloughed colleagues
- Encouraging sales trend since shop reopening; latest week reaching 72% of 2019 level
- Diversity of shop locations and broad customer appeal proving a strength
- Adapting investment in strategic growth priorities; digital channels rollout being accelerated
- New shop pipeline remains strong but temporarily slowed until outlook becomes clearer
- Continuing investment in improving supply chain efficiency

Financial performance

- Total sales in H1 2020 £300.6m (H1 2019: £546.3m)
- H1 Company-managed shop like-for-like sales* down 49.0%
- Pre-tax loss £65.2m (H1 2019: £36.7m profit)**
- Net debt at period end of £26.2m, reflecting operating cash outflows and issue of £150m of CCFF commercial paper
- Working to establish bank financing facilities in second half of year
- No interim dividend declared

* like-for-like sales in Company-managed shops (excluding franchises) with a calendar year's trading history
** includes exceptional pre-tax charge of £0.7m in H1 2020 (H1 2019: £4.0m) in relation to ongoing supply chain investment programme

"Following successive years of unbroken growth Greggs made a great start to 2020, coming into the year with momentum and clear strategic plans. The strength of our business model enabled us to secure the liquidity needed to support our business through the current crisis and then to adapt our operation and strategic investment plans in response to the new environment.

"I want to thank the amazing team of people in our business who have risen to the challenges created by this crisis both in supporting the wider community and working together to redesign our operation to work safely under these new conditions.

"Greggs is now well prepared to deal with the challenges of social distancing and operate through the conditions we are faced with. Greggs remains a much-loved brand with long-term growth opportunities and the business is better placed to adapt to new conditions than ever before."

- ***Roger Whiteside, Chief Executive***

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An audio webcast of the analysts' presentation will be available to download later today at http://corporate.greggs.co.uk/results-centre

High resolution images are available for the media to view and download from https://corporate.greggs.co.uk/media-centre/image-and-video-library

CHIEF EXECUTIVE'S REPORT

Following successive years of unbroken growth Greggs made a great start to 2020, coming into the year with momentum and clear strategic plans. The strength of our business model enabled us to secure the liquidity needed to support our business through the current crisis and then to adapt our operation and strategic investment plans in response to the new environment. We are demonstrating our resilience under crisis conditions and are now adjusting our plans to ensure that Greggs remains a strong business with great potential for further growth.

Securing the business through lockdown

In our preliminary results on 3 March we disclosed that in the first nine weeks of 2020 Company-managed shop like-for-like sales had grown by 7.5 per cent, and total sales were up 11.7 per cent. We also came into the year with a very strong cash position following the Company's record financial performance in 2019.

At that time the Covid-19 crisis had just started to impact and our initial intention was to continue trading as a food provider, but it quickly became apparent that this would not be possible and was inconsistent with the "stay at home" phase of lockdown. On 23 March we announced that, for the safety of our staff and customers, we would temporarily close our entire shop estate. Most of our supply chain operations were also closed at this point, with the exception of our Balliol Park savoury manufacturing facility which has continued to supply Iceland Foods with our successful 'bake at home' offer.

Our immediate priority was to ensure that the Company had access to sufficient liquidity. Greggs has always been prudently run, maintaining a strong balance sheet with no long-term debt other than lease liabilities, and a positive cash balance.

The strength of our balance sheet coming into this period meant that we had sufficient time to arrange additional liquidity, and the Bank of England's Covid Corporate Financing Facility (CCFF) proved to be the quickest method of arranging temporary financing. At the same time, we took actions to protect our cash position, including the cancellation of the planned final dividend for 2019, furloughing most of our team, cancelling annual pay increases, taking voluntary Director salary reductions and freezing all but essential expenditure. The receipt of valuable Government support in the form of business rates relief and the Coronavirus Job Retention Scheme (CJRS) allowed us to maintain employment of our furloughed colleagues at full pay during the lockdown phase.

As we closed the shop estate our local teams made a great job of ensuring that as much surplus food as possible was donated to good causes in their communities. The Greggs Foundation has reprioritised its activities to respond to immediate needs, increasing the resources available to provide a helping hand to those in hardship and offering additional funds to local community groups that support the most vulnerable in our communities.

Restarting under social distancing

In reopening our shops we followed a three-phase plan:

1. Early May – trials in a small number of shops to test new social distancing measures and operational processes.
2. 18 June – a larger-scale opening of 800 shops to takeaway customers, with new procedures and equipment.
3. 2 July onwards – reopening of the rest of the shop estate to takeaway customers.

Safety of operations has been paramount, and all team members have been trained in revised operational procedures to protect them and our customers. Shops have put in place floor markings and signage to help customers maintain social distancing and protective screens have been installed at our counters. Team members have been provided with protective workwear and are following a revised and extensive cleaning regime. Customers have access to hand sanitiser and are encouraged to pay using contactless methods.

In anticipation of lower-than-normal sales levels under social distancing we have limited our initial product range to focus on our best sellers. This helps us to deliver good availability without excessive waste, but has also meant that a number of our manufacturing and operational teams have remained on furlough. The continued use of the CJRS will be crucial in supporting jobs whilst demand recovers.

Whilst we can be confident of our ability to operate under social distancing it is clear that sales will be constrained whilst these conditions prevail, with an observed impact on both our capacity to serve and on customer demand. Our shops are typically small in size and operated by small teams that can be reorganised to operate with social distancing. However, in the busiest 20 per cent of our shops where team sizes are above average our ability to deploy full shop teams is currently restricted. This is especially the case in physically constrained shops, as often found in travel locations. In these shops service is currently slower than normal, however this tends to coincide with locations where demand is most impacted by reduced travel and less office working.

Company-managed shops have seen sales develop since reopening, and reached 72 per cent of 2019 levels in the most recent week to 25 July 2020. Whilst these are early days, Greggs is already showing that the variety and geographical reach of our shop estate, combined with the broad appeal of the brand, which is not materially dependent on office-based workers, means we are less impacted by social distancing than many. The majority of our shops are located in towns and suburbs, or catchments that are generally accessed by car. However, we still expect sales to remain below normal for as long as social distancing is required.

At this point I must give credit to the amazing team of people in our business who have risen to the enormous challenges created by this crisis both in supporting the wider community and working together to redesign our operation to work safely under these new conditions. Adversity has brought out the best in us and we can be proud of our achievements as together we rebuild the business from here.

Confidence in long-term growth

We are unable to predict how long social distancing will be required but we remain confident of our potential for growth once this constraint is removed. Our strategy for growth is based on shop expansion, the roll out of new digital channels and day-part development. All of these remain relevant in a post-Covid world but we have adapted our plans in light of social distancing.

Digital channels, in the form of 'click and collect' and delivery, which allow customers to order and pay in advance can help us serve additional customers in a safe and effective manner during social distancing. We are therefore planning to roll both services out nationwide in the months ahead. Those digital-only shops that formed part of our reopening programme are now being reviewed with a view to transitioning to combined walk-in and digital services that can still operate within our social distancing procedures. Whilst customer footfall remains below normal we have adapted our plans to develop later evening trading to focus on those stores offering delivery and 'click and collect'. We have also continued to make good progress with the development of our Greggs Rewards digital app, which will combine multichannel access and our loyalty programme in one place.

We retain a strong pipeline of new shop opportunities and continue to see the potential for Greggs to grow its estate, but have temporarily slowed our new shop opening programme whilst we assess the impact of social distancing on trading levels. In addition, we have brought forward a number of planned closures of shops that have become unviable more quickly as a result of current conditions. In the first half of 2020 we opened 20 new shops (including 7 franchised units) and closed 45 shops, giving a total estate of 2,025 shops (of which 307 are franchise units) as at 27 June 2020. Over the year as a whole we now expect to open c.60 shops and close c.50.

The significant programme of investment in our supply chain has proved particularly valuable in recent weeks, with our manufacturing sites better able to flex production to demand. We intend to complete the transformation of our manufacturing operations this year, whilst slowing down the remaining activity designed to increase logistics capacity, reflecting the temporary slowdown of our shop opening plans. In addition, we have continued with the investment in our new robotic frozen logistics facility in the North East, which will significantly improve logistics efficiency and reduce third-party costs when it comes into operation in the second quarter of 2021.

Financial performance

Our financial results for the first half of 2020 reflect the closure of our shops for three months of the reporting period. Total sales for the 26 weeks to 27 June 2020 were £300.6 million, 44.9 per cent down on the same period of 2019. The pre-tax loss in the first half of 2020 was £65.2 million (2019: £36.7 million profit) and there was a net cash outflow of £118.4 million before the introduction of additional financing. Exceptional costs associated with our supply chain investment programme amounted to £0.7 million (H1 2019: £4.0 million) and are included in the overall result.

The diluted loss per share was 53.4 pence (2019: 28.5 pence earnings per share).

The closure of our shops and subsequent actions resulted in a number of one-off impacts that are reflected in these results. Residual stocks of food and drink items that would have been unusable on reopening were donated to good causes wherever possible. The total charge for write-offs and provisions for unusable stock was £9.0 million. The acceleration of shop closures crystallised impairment charges amounting to £6.1 million and a further £1.3 million charge has been made for the impairment of 14 shops which continue to trade but are unlikely to recover the full carrying value of their assets. Linked to the impairment charges we have provided for £2.7 million in onerous costs directly linked to these leases, for example rates, service charges and insurance.

In line with our previous expectations, the weekly cash outflow during the closure period, after support and mitigating actions, was £4.4 million per week. In addition to this the settlement of liabilities existing at the point of closure led to an outflow of around £75 million through the second quarter. In total the net cash outflow in the second quarter was £102.5 million, excluding financing.

In order to secure the Company's liquidity at this time we put in place a commercial paper platform under the CCFF. The credit available to Greggs under the scheme is significant and in early April we partially accessed this by issuing £150 million of commercial paper, with a duration of 11 months. Under current rules the facility is available for issue of further commercial paper until March 2021, at a maximum duration of 12 months. Our intention is to repay this debt as soon as is possible, replacing it with commercial arrangements to the extent necessary. To this end we are in discussions with banking partners to establish a financing facility that will provide Greggs with additional liquidity for the medium term. We expect this to be put in place in the current financial year.

Including the £150 million CCFF receipt Greggs' net debt position (including short-term deposits held in current assets of £70 million) at 27 June 2020 was £26.2 million. With our shop estate open again, the speed at which we can restore the Company to a net cash position will largely be determined by the pace of recovery in sales levels. A number of other factors are relevant to financial performance during this recovery period:

- The Company continues to draw on support for employment from the CJRS. In respect of the first half of 2020 this support totalled £69 million, of which £57 million was received in the period. The scheme is available, on modified terms, until the end of October 2020. Our current plans indicate that we are likely to draw a further £20-£25 million in employment support across the period from July to October.

- The very welcome business rates holiday for retail, hospitality and leisure businesses runs from April 2020 to March 2021. Greggs expects to benefit from business rates relief amounting to £25 million over this period.

- We are in active discussions with the landlords of our shops and are succeeding in negotiating rent reductions. We paid our March quarterly rent payment in full and landlords were informed then that we intended to pay rents monthly in advance from June onwards. We have now paid the monthly rents for July and August on this basis.

- In the first half of 2020 we incurred incremental costs of £2.5 million to put in place protective workwear, screens and additional signage in order to enable our shops to operate under social distancing rules. Looking forward we expect to incur additional costs of c.£5 million in the second half of the year for the provision of protective workwear, additional cleaning and hand sanitiser.

- Cost inflation has eased somewhat compared with our expectations earlier in the year. Whilst labour cost inflation is in line with previous guidance we now expect food, packaging and energy inflation across 2020 to be around four per cent.

- Our capital expenditure plans for 2020 have been significantly reduced, primarily in response to the changes to our shop opening plans for the year. Capital expenditure during the first half was £33.6 million (2019: £33.2 million) as we curtailed investments in our shop estate but continued with key supply chain projects, primarily the new robotic frozen logistics facility at our Balliol Park site. In the second half of the year we plan to complete only a small number of new shops, whilst progressing a small number of strategically-important supply chain and IT-related projects. We now expect total capital expenditure in 2020 to be around £55.0 million (2019: £86.0 million).

- Interest costs relating to our financing arrangements under the CCFF scheme were £0.2 million in the first half of the year and are expected to total £0.7 million for the year as a whole. Further costs may arise as additional facilities are established.

The Board has considered the financial position of the business, its plans and a number of pessimistic scenarios as outlined in the notes to these condensed accounts. These are designed to test the ability of the business to withstand continued subdued trading conditions and the possibility of a further lockdown period as a result of the Covid-19 crisis. In these downside scenarios the Company would need to continue to access the liquidity available under its CCFF, or alternative facilities. The Board is in discussions with commercial banks to establish additional facilities in the near term. Taking all this into account the Board has concluded that it remains appropriate to prepare the interim financial statements on a going concern basis.

In protecting the Company's financial position at the start of the Coronavirus crisis the Board made the decision not to distribute the final dividend in respect of 2019, preserving £33 million of cash. In the immediate future the Company's priority will be to repay the Government funding it has received under the CCFF scheme and restore balance sheet strength, with access to additional liquidity in reserve. The Board is not declaring an interim dividend for 2020. Its intention is to re-establish dividend distributions as soon as is prudently possible, balancing this against the opportunities that remain open to Greggs to invest for further growth.

Current trading and outlook

We have been encouraged by our ability to operate successfully under social distancing guidelines. In the most recent week, we have seen average sales across the estate of around 72 per cent of the comparator period, with some variation by location type, as expected. The relative resilience we have demonstrated reflects both our broad appeal and our widely-distributed shop estate.

Recent sales levels have allowed us to bring approximately 75 per cent of our colleagues out of furlough and we are trading broadly at operating cash breakeven. As sales levels pick up, we will be able to bring more of our colleagues back from furlough; in the interim, we continue to be reliant on the CJRS to protect those roles. Looking forward we expect that the business should break even in profit terms when it achieves sales around 80 per cent of the 2019 level.

It remains very difficult to predict the outlook and likely performance of our business, and we recognise the possibility of further lockdowns either nationally or regionally. However, Greggs is now well prepared to deal with the challenges of social distancing and operate through the conditions we are faced with. Greggs remains a much-loved brand with long-term growth opportunities and the business is better placed to adapt to new conditions than ever before.

We intend to next update on our third quarter trading on 29 September 2020

Roger Whiteside
Chief Executive
28 July 2020

Greggs plc
Consolidated income statement
For the 26 weeks ended 27 June 2020

	26 weeks ended 27 June 2020	26 weeks ended 29 June 2019	52 weeks ended 28 December 2019
	Total	Total	Total
	£m	£m	£m
Revenue	**300.6**	546.3	1,167.9
Cost of sales	**(122.9)**	(193.7)	(418.1)
Cost of sales excluding exceptional items	**(122.2)**	(189.7)	(412.2)
Exceptional items (see note 5)	**(0.7)**	(4.0)	(5.9)
Gross profit	**177.7**	352.6	749.8
Distribution and selling costs	**(210.6)**	(275.2)	(572.8)
Administrative expenses	**(29.3)**	(37.5)	(62.2)
Operating (loss)/profit	**(62.2)**	39.9	114.8
Finance expense	**(3.0)**	(3.2)	(6.5)
(Loss)/profit before tax	**(65.2)**	36.7	108.3
Income tax	**11.4**	(7.5)	(21.3)
(Loss)/profit for the period attributable to equity holders of the parent	**(53.8)**	29.2	87.0
Basic (loss)/earnings per share	**(53.4p)**	28.9p	86.2p
Diluted (loss)/earnings per share	**(53.4p)**	28.5p	85.0p

Greggs plc
Consolidated statement of comprehensive income
For the 26 weeks ended 27 June 2020

	26 weeks ended 27 June 2020 £m	26 weeks ended 29 June 2019 £m	52 weeks ended 28 December 2019 £m
(Loss)/profit for the period	**(53.8)**	29.2	87.0
Other comprehensive (expense) / income			
Items that will not be recycled to profit and loss:			
Remeasurements on defined benefit pension plans	**(13.8)**	(2.9)	3.0
Tax on remeasurements on defined benefit pension plans	**2.6**	0.5	(0.5)
Other comprehensive (expense) / income for the period, net of income tax	**(11.2)**	(2.4)	2.5
Total comprehensive (expense) / income for the period	**(65.0)**	26.8	89.5

Greggs plc
Consolidated balance sheet
as at 27 June 2020

	27 June 2020	29 June 2019	28 December 2019
	£m	£m	£m
ASSETS			
Non-current assets			
Intangible assets	**16.0**	16.9	16.8
Property, plant and equipment	**354.0**	331.9	353.7
Right-of-use assets	**264.3**	275.7	272.7
Deferred tax asset	**4.7**	3.9	3.3
	639.0	628.4	646.5
Current assets			
Inventories	**20.8**	22.7	23.9
Trade and other receivables	**23.5**	23.0	27.1
Current tax asset	**4.9**	-	-
Cash and cash equivalents	**52.9**	85.9	91.3
Investments – short-term deposits	**70.0**	-	-
	172.1	131.6	142.3
Total assets	**811.1**	760.0	788.8
LIABILITIES			
Current liabilities			
Trade and other payables	**(70.7)**	(114.2)	(142.3)
Current tax liability	**-**	(9.5)	(11.8)
Borrowings	**(150.0)**	-	-
Lease liabilities	**(54.5)**	(47.4)	(48.8)
Provisions	**(5.6)**	(7.2)	(5.8)
	(280.8)	(178.3)	(208.7)
Non-current liabilities			
Other payables	**(4.0)**	(4.4)	(4.2)
Defined benefit pension liability	**(14.4)**	(11.4)	(0.6)
Lease liabilities	**(224.6)**	(229.6)	(226.9)
Long-term provisions	**(3.5)**	(0.8)	(1.6)
	(246.5)	(246.2)	(233.3)
Total liabilities	**(527.3)**	(424.5)	(442.0)
Net assets	**283.8**	335.5	346.8
EQUITY			
Capital and reserves			
Issued capital	**2.0**	2.0	2.0
Share premium account	**14.8**	13.5	13.5
Capital redemption reserve	**0.4**	0.4	0.4
Retained earnings	**266.6**	319.6	330.9
Total equity attributable to equity holders of the Parent	**283.8**	335.5	346.8

Greggs plc
Consolidated statement of changes in equity
For the 26 weeks ended 27 June 2020

26 weeks ended 29 June 2019

	Issued capital	Share premium	Capital redemption reserve	Retained earnings	Total
	£m	£m	£m	£m	£m
Balance at 30 December 2018	2.0	13.5	0.4	313.2	329.1
Total comprehensive income for the period					
Profit for the period	-	-	-	29.2	29.2
Other comprehensive income	-	-	-	(2.4)	(2.4)
Total comprehensive income for the period	-	-	-	26.8	26.8
Transactions with owners, recorded directly in equity					
Sale of own shares	-	-	-	4.5	4.5
Purchase of own shares	-	-	-	(6.8)	(6.8)
Share-based transactions	-	-	-	4.6	4.6
Dividends to equity holders	-	-	-	(24.8)	(24.8)
Tax items taken directly to reserves	-	-	-	2.1	2.1
Total transactions with owners	-	-	-	(20.4)	(20.4)
Balance at 29 June 2019	2.0	13.5	0.4	319.6	335.5

52 weeks ended 28 December 2019

	Issued capital	Share premium	Capital redemption reserve	Retained earnings	**Total**
	£m	£m	£m	£m	£m
Balance at 30 December 2018	2.0	13.5	0.4	313.2	329.1
Total comprehensive income for the period					
Profit for the financial year	-	-	-	87.0	87.0
Other comprehensive income	-	-	-	2.5	2.5
Total comprehensive income for the year	-	-	-	89.5	89.5
Transactions with owners, recorded directly in equity					
Sale of own shares	-	-	-	4.9	4.9
Purchase of own shares	-	-	-	(11.8)	(11.8)
Share-based transactions	-	-	-	4.4	4.4
Dividends to equity holders	-	-	-	(72.1)	(72.1)
Tax items taken directly to reserves	-	-	-	2.8	2.8
Total transactions with owners	-	-	-	(71.8)	(71.8)
Balance at 28 December 2019	2.0	13.5	0.4	330.9	346.8

26 weeks ended 27 June 2020

	Issued capital	Share premium	Capital redemption reserve	Retained earnings	**Total**
	£m	£m	£m	£m	**£m**
Balance at 29 December 2019	2.0	13.5	0.4	330.9	**346.8**
Total comprehensive expense for the period					
Loss for the period	-	-	-	(53.8)	**(53.8)**
Other comprehensive expense	-	-	-	(11.2)	**(11.2)**
Total comprehensive expense for the period	-	-	-	(65.0)	**(65.0)**
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	-	1.3	-	-	**1.3**
Sale of own shares	-	-	-	1.4	**1.4**
Purchase of own shares	-	-	-	(0.5)	**(0.5)**
Share-based transactions	-	-	-	1.4	**1.4**
Tax items taken directly to reserves	-	-	-	(1.6)	**(1.6)**
Total transactions with owners	-	1.3	-	0.7	**2.0**
Balance at 27 June 2020	2.0	14.8	0.4	266.6	**283.8**

Greggs plc
Consolidated statement of cash flows
For the 26 weeks ended 27 June 2020

	26 weeks ended 27 June 2020	26 weeks ended 29 June 2019	52 weeks ended 28 December 2019
	£m	£m	£m
Cash flows from operating activities			
Cash (absorbed by)/generated from operations (see page 14)	**(56.6)**	101.8	246.0
Income tax paid	**(5.7)**	(9.3)	(20.3)
Interest paid on lease liabilities	**(3.3)**	(3.3)	(6.6)
Net cash (outflow)/inflow from operating activities	**(65.6)**	89.2	219.1
Cash flows from investing activities			
Acquisition of property, plant and equipment	**(36.1)**	(37.7)	(85.4)
Acquisition of intangible assets	**(1.2)**	(1.8)	(3.7)
Proceeds from sale of property, plant and equipment	**0.6**	0.5	1.4
Interest received	**0.5**	0.2	0.3
Acquisition of investments	**(70.0)**	-	-
Net cash outflow from investing activities	**(106.2)**	(38.8)	(87.4)
Cash flows from financing activities			
Proceeds from issue of share capital	**1.3**	-	-
Proceeds from issue of commercial paper (net of interest)	**149.1**	-	-
Sale of own shares	**1.4**	4.5	4.9
Purchase of own shares	**(0.5)**	(6.8)	(11.8)
Dividends paid	**-**	(24.8)	(72.1)
Repayment of principal of lease liabilities	**(17.9)**	(25.6)	(49.6)
Net cash inflow/(outflow) from financing activities	**133.4**	(52.7)	(128.6)
Net (decrease) / increase in cash and cash equivalents	**(38.4)**	(2.3)	3.1
Cash and cash equivalents at the start of the period	**91.3**	88.2	88.2
Cash and cash equivalents at the end of the period	**52.9**	85.9	91.3

Greggs plc
Consolidated statement of cash flows (continued)
For the 26 weeks ended 27 June 2020

Cash flow statement – cash generated from operations

	26 weeks ended 27 June 2020	26 weeks ended 29 June 2019	52 weeks ended 28 December 2019
	£m	£m	£m
(Loss)/profit for the period	**(53.8)**	**29.2**	87.0
Amortisation	**2.0**	**1.7**	3.8
Depreciation – property, plant and equipment	**27.6**	**28.5**	56.1
Depreciation – right-of-use assets	**25.9**	**25.6**	50.8
Impairment – property, plant and equipment	**3.7**	**0.4**	0.3
Impairment – right-of-use assets	**3.8**	**-**	0.5
Loss on sale of property, plant and equipment	**0.4**	**0.6**	1.2
Release of government grants	**(0.2)**	**(0.2)**	(0.5)
Share-based payment expenses	**1.4**	**4.6**	4.4
Finance expense	**3.0**	**3.2**	6.5
Income tax (credit)/expense	**(11.4)**	**7.5**	21.3
Decrease / (increase) in inventories	**3.1**	**(1.9)**	(3.1)
Decrease / (increase) in receivables	**3.6**	**(0.7)**	4.5
(Decrease) / increase in payables	**(67.4)**	**4.7**	19.9
Increase / (decrease) in provisions	**1.7**	**(1.4)**	(1.7)
Decrease in pension liability	**-**	**-**	(5.0)
Cash from operating activities	**(56.6)**	**101.8**	246.0

Notes

1. Basis of preparation

The condensed accounts have been prepared for the 26 weeks ended 27 June 2020. Comparative figures are presented for the 26 weeks ended 29 June 2019. 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 52 weeks ended 28 December 2019.

These condensed accounts are unaudited and were approved by the Board of Directors on 28 July 2020.

The comparative figures for the 52 weeks ended 28 December 2019 are not the Company's statutory accounts for that financial year. Those accounts have been 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 in the context of the continued uncertainty regarding the future impact of Covid-19 on the trading performance of the Group. The Directors have reviewed cash flow forecasts prepared for a period of 18 months from the date of approval of these condensed accounts, and more pessimistic scenarios designed to test the ability of the business to withstand subdued trading conditions and the possibility of a further lockdown period as a result of the Covid-19 crisis.

At the end of the reporting period the Group had £123 million of available liquidity including £53 million cash and cash equivalents and £70 million term deposits which are redeemable within two to four months. In early April 2020 the Directors announced that the Company had secured access to the Bank of England CCFF and that £150 million of funding had been drawn down from this facility with further funding available to be drawn down.

The pessimistic scenarios assumed that current subdued trading conditions continued throughout the 2020 and 2021 financial years, or that a modest recovery was followed by a further lockdown period of three months, with Government support for employment, in the first half of 2021. These scenarios indicated a funding requirement of between £60 million and £125 million, which falls within the facilities currently available to us.

The current issue of commercial paper under the CCFF is due to be repaid in March 2021 and at that time it is expected that the scheme will be available for a further issue. In addition, the Company is in the process of putting in place commercial lending facilities, which it expects to be available before the end of the year and which could replace the CCFF funding.

Taking into account this cash level and the planned facilities, the Directors are confident that the Group will have sufficient funds to allow it to operate in even the most pessimistic scenarios. After reviewing the projections and sensitivity analysis in the light of the recent shop re-openings, and considering the continued uncertainties and mitigating actions that can be taken, 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 28 December 2019 the following additional areas have been identified for the 26 weeks ended 27 June 2020.

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 crisis has meant that all shops had no sales for a three-month period and the rate of recovery of sales is inherently uncertain. This is considered to be an impairment trigger and as a result all shops have been tested for impairment.

As a result of the crisis and following the shutdown period a decision was made not to reopen 38 shops. All shop fittings and right-of-use assets in these shops have been fully impaired at a cost of £6.1 million. In addition, a provision of £2.7 million was made for onerous costs directly related to these closures which is expected to be utilised over the remaining term of these shop leases. The assumptions regarding the lease term in respect of these shops were reviewed and where required the lease liability was remeasured.

For the remainder of the estate an impairment review was carried out using the following assumptions:

- LFL sales growing from current levels to 10 per cent down on pre-Covid-19 levels by the end of 2020 and remaining at that level for a further 18 months before reverting to pre-lockdown levels from July 2022;
- EBITDAR is used as a proxy of net cash flow excluding rental payments;
- The discount rate is based on the Group's WACC with an uplift for risk in the current environment; and
- Consideration of the remaining lease term.

On the basis of these calculations an impairment provision of £1.3 million has been made in respect of 14 shops.

Given the uncertainties of the current trading environment the sensitivities of these assumptions on the impairment calculation have been tested:

- A one percent increase in the discount rate would result in an increased provision of £0.2 million covering an additional two properties.
- If LFL sales recovered to 20 per cent down on pre-Covid-19 levels for 18 months this would result in an increased provision of £0.4 million covering an additional five properties.

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 28 December 2019 other than as disclosed below:

- Amendments to References to the Conceptual Framework in IFRS Standards.
- Amendments to IAS 1 and IAS 8: Definition of Material.
- Amendment to IFRS 16 Covid-19-Related Rent Concessions

Their adoption did not have a material effect on the accounts. The Company chose not to use the practical expedient available in the amendment to IFRS 16.

3. Principal risks and uncertainties

The Directors have considered 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. The Covid-19 pandemic continues to have a significant impact on our business, and has presented some specific risks that are identified below. The assessment of principal risks and uncertainties made in the 2019 Annual Report and Accounts remains valid but we believe that the following risks have increased:

- Management of third-party relationships - business interruption suffered by third party suppliers, subsequently impacting on our operations.
- Cyber and data security – adoption of alternative working practices may have increased our exposure to external threats.
- Impact of Brexit - the potential for a no-deal trade agreement and the associated cost of tariffs may have increased.

The pandemic itself remains a significant risk to the business. Our priority is always the safety and wellbeing of our staff and customers, resulting in us taking prompt action temporarily to close our shops and supply sites. We have acted throughout the crisis in line with Government guidance, and our reopening programme has been phased and structured to ensure that we were able to put measures into place to operate safely. Our colleagues have been supported throughout the period with regular communication. We obtained Government-backed funding to ensure the ongoing viability of the business, and have furloughed staff where the business levels are not sufficient to support their full-time employment.

The impact of the pandemic has also given rise to a number of other associated risks as follows:

- The financial impact of any second lockdown could be greater than the first if Government support was not provided at the same level.
- Potential liquidity issues if access to the CCFF commercial paper scheme is withdrawn before March 2021. We do, however, expect other funding options to be available to us.
- Changing customer habits impacting our business model. We are responding to this by accelerating planned changes to our operations, including more rapid adoption of digital channels. Our mix of shop locations also helps to mitigate this risk.
- Potential damage to the culture of the business, due to remote working and staff remaining furloughed. We continue to support all colleagues and maintain regular communication.

The assessment above should be read in conjunction with the statement of principal risks described on pages 30 – 33 in the 2019 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.

4. 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 retail activities, the Group generates revenues from franchise and wholesale. However, these elements of the business are not sufficiently significant to be 'Reportable Segments' in the context of IFRS 8.

The Board regularly reviews the revenues of each segment separately but receives information on profits, assets and liabilities on an aggregated basis consistent with the Group accounts. Of the Group's revenue, £262.5 million (2019: £502.8) was attributable to the retail segment.

5. Exceptional items

		26 weeks ended 27 June 2020	26 weeks ended 29 June 2019	52 weeks ended 28 December 2019
		£m	£m	£m
Cost of sales				
Supply chain restructuring	- redundancy	**0.1**	0.4	0.7
	- depreciation and asset write-off	**-**	0.3	0.1
	- transfer of operations	**0.6**	3.2	5.0
	- property related	**-**	0.1	0.1
Total exceptional items		**0.7**	4.0	5.9

Supply chain restructuring

This charge arises from the decisions, announced in 2016 and 2017, to invest in and reshape the Company's supply chain in order to support future growth. The costs related to accelerated depreciation and the expenses incurred as a result of transferring manufacturing processes between sites, including additional running costs.

6. Defined benefit pension scheme

The valuation of the defined benefit pension scheme for the purposes of IAS 19 (Revised) as at 28 December 2019 has been updated as at 27 June 2020 and the movements have been reflected in these condensed accounts.

7. Taxation

The taxation charge for the 26 weeks ended 27 June 2020 and 29 June 2019 is calculated by applying the Directors' best estimate of the annual effective tax rate to the profit or loss for the period.

8. Earnings per share

	26 weeks ended 27 June 2020	26 weeks ended 29 June 2019	52 weeks ended 28 December 2019
	Total	Total	Total
	£m	£m	£m
(Loss)/profit for the period attributable to equity holders of the parent	**(53.8)**	29.2	87.0
Basic (loss)/earnings per share	**(53.4p)**	28.9p	86.2p
Diluted (loss)/earnings per share	**(53.4p)**	28.5p	85.0p

Weighted average number of ordinary shares

	26 weeks ended 27 June 2020	26 weeks ended 29 June 2019	52 weeks ended 28 December 2019
	Number	Number	Number
Issued ordinary shares at start of period	**101,155,901**	101,155,901	101,155,901
Effect of shares issued	**19,031**	-	-
Effect of own shares held	**(374,748)**	(396,150)	(342,748)
Weighted average number of ordinary shares during the period	**100,800,184**	100,759,751	100,813,153
Effect of share options on issue	**-**	1,525,627	1,505,456
Weighted average number of ordinary shares (diluted) during the period	**100,800,184**	102,285,378	102,318,609
Issued ordinary shares at end of period	**101,313,006**	101,155,901	101,155,901

Potential ordinary shares can only be treated as dilutive when their conversion to ordinary shares would decrease earnings per share or increase loss per share. As the Group has recognised a loss for the period, none of the potential ordinary shares are considered to be dilutive.

9. Dividends

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

Dividend declared	**26 weeks ended 27 June 2020**	26 weeks ended 29 June 2019	52 weeks ended 28 December 2019
	Pence per share	Pence per share	Pence per share
2018 final dividend	**-**	25.0p	25.0p
2019 interim dividend	**-**	-	11.9p
2019 special dividend	**-**	-	35.0p
	-	25.0p	71.9p

	26 weeks ended 27 June 2020	26 weeks ended 29 June 2019	52 weeks ended 28 December 2019
	£m	£m	£m
Total dividend payable			
2018 final dividend	-	25.3	25.3
2019 interim dividend	-	-	12.0
2019 special dividend	-	-	35.3
Total dividend paid in period	-	25.3	72.6
Dividend proposed at period end and not included as a liability in the accounts			
2019 interim dividend (11.9p per share)	-	25.3	-
2019 special dividend (35.0p per share)	-	35.3	-
2019 final dividend (33.0p per share)	-	-	33.2
	-	60.6	33.2

The final declared dividend of 33.0p in respect of 2019 was cancelled as a cash preservation measure in response to the Covid-19 crisis.

10. 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 28 December 2019.

11. Half year report

The condensed accounts were approved by the Board of Directors on 28 July 2020. They will be available on the Company's website, corporate.greggs.co.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 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 52 weeks ended 28 December 2019.

For and on behalf of the Board of Directors

Roger Whiteside Richard Hutton