Always Fresh. Always Tasty.

26 February 2014

PRELIMINARY RESULTS FOR THE 52 WEEKS ENDED 28 DECEMBER 2013

Greggs is the leading bakery food-on-the-go retailer in the UK, with almost 1,700 retail outlets throughout the country

IMPROVING TRADING AND GOOD PROGRESS WITH STRATEGIC PLAN

Financial summary

- Total sales up 3.8% to £762.4 million
- Full year like-for-like sales down 0.8%
- Improving trend of like-for-like sales**, with H2 up 1.2% and Q4 up 2.6%
- Pre-tax profit* before exceptional items down 18.9% to £41.3 million
- Diluted earnings per share* before exceptional items down 20.1% to 30.6 pence
- Dividend per share maintained at 19.5p

* before exceptional pre-tax charge of £8.1m (2012: exceptional pre-tax credit of £1.4m)
** like-for-like sales in own shops (excluding franchises) with a full year's trading history

Operational summary

- New strategic focus centred on the growing food-on-the-go market
- Record 216 shop refits in the year
- Overall shop numbers unchanged with 68 openings and closures
- 70% of 2013 new shop openings in locations other than high streets
- 1,671 shops trading at 28 December 2013 including 25 franchised units

"2013 was a year of transition for Greggs as our new strategic focus centred on the growing food-on-the-go market. Whilst total sales for the year rose 3.8% like-for-like sales were down 0.8% reflecting the tough and competitive trading conditions. However, I am encouraged by the improvement in performance in recent months as our new strategic focus started to deliver benefits.

Market conditions are expected to remain challenging in 2014. It will be a year of further change for Greggs as we move forward with our plan to focus on the food-on-the-go market and build on positive recent trading momentum."

\- ***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/financial-reports

CHAIRMAN'S STATEMENT

2013 has been a year of significant change for Greggs. Market conditions continued to be challenging and sales and profit were below expectations, particularly in the first half. We conducted a strategic review and announced our plans to prepare Greggs for long-term profitable growth.

Overview

Following the appointment of Roger Whiteside as Chief Executive in the first half of the year the senior management team, led by Roger, conducted a strategic review of the business, the results of which were announced in August.

As shopping habits have changed over the years, Greggs has developed to become predominantly a bakery food-on-the-go operation and less of a bakery take-home business. Food-on-the-go in the UK is a growing market of £6 billion (source: Allegra) and some 75 per cent of customer visits to Greggs fulfil a food-on-the-go need.

As a result of the strategic review and the attractive fundamentals of the food-on-the-go market a change programme was instigated to refocus our operations on this opportunity. The change programme will take a number of years to complete and will be underpinned by activity focusing on great tasting fresh food, a great shopping experience, simple and efficient operations and improvement through change. Through this programme we will be targeting a sustained improvement in like-for-like sales together with simpler and more efficient operations, and thus preparing Greggs for long-term profitable growth.

The Chief Executive's review provides greater detail on the strategic plan and the key targets and milestones that will be used to track progress.

The Board

Roger Whiteside took up the position of Chief Executive in February 2013, succeeding Ken McMeikan. Roger had been a member of our Board as a Non-Executive Director since 2008 and brings more than 30 years' experience in food and retailing to the role. The transition has gone well, enabling management to take stock of the position of the business resulting in a new strategic focus centred on the growing food-on-the-go market.

Allison Kirkby joined the Board as an independent Non-Executive Director in January 2013 and became Chair of the Audit Committee when I succeeded Derek Netherton as Chairman of the Board in May. I would like to record the Board's thanks to Derek for his leadership of Greggs over the last 11 years.

In January 2014 Helena Ganczakowski joined the Board and in the year ahead we will bid farewell to Julie Baddeley and Iain Ferguson who will retire at the AGM in May having served for nine and five years respectively. The search for a new Non-Executive Director is well advanced and a further announcement will be made shortly.

Dividend

The business continues to generate strong cash returns with which we intend to fund capital investment and dividend payments to shareholders. In light of this, the Board recommends a maintained final dividend of 13.5 pence per share (2012: 13.5 pence), making a total dividend for the year of 19.5 pence (2012: 19.5 pence). In the short term, so long as cash flow allows, it is the Board's intention to maintain the dividend at or around this level with the intention of adopting, in the medium term, a progressive dividend policy with the dividend around two times covered by underlying earnings.

Prospects

Although economic activity across the UK is showing some signs of improvement, management is planning for continued pressure on footfall and consumer spending and an increasingly competitive food-on-the-go market. The 2013 strategic review has brought a new focus to the business as Greggs' position in the food-on-the-go market is developed and improvements to the quality of the shop estate and customer experience are delivered. The plan involves major changes and investment in the business over a number of years and, as previously announced, will incur some exceptional costs.

Greggs has a strong financial position, experienced management team and a loyal and committed workforce. I am confident that we are building the foundations for sustainable long-term profitable growth with the prospect of attractive returns for shareholders. It is encouraging to see that these changes are already beginning to deliver a stronger performance in the core business with an improving trend in like-for-like sales and strong returns from our shop refurbishment programme. As previously stated, the costs of this major programme of change are likely to constrain underlying profit growth over the next two years although the actions we are taking to restructure our cost base will position the business well as sales strengthen.

Our people and values

Inevitably change on this scale is having an impact on our people in the business. We have already announced proposals for organisational change which puts a number of roles at risk of redundancy. All of this is necessary for the long-term health of the business and I am confident that we are managing the impact on our people in line with Greggs' long standing values of fairness, consideration and respect.

Ian Durant
Chairman
26 February 2014

CHIEF EXECUTIVE'S REPORT

2013 was a year of transition for Greggs as our new strategic focus centred on the growing food-on-the-go market. Market conditions remained challenging with constrained disposable incomes, increased competition and periods of extreme weather all being significant factors. As a consequence we experienced continued negative like-for-like sales, particularly in the first half, resulting in reduced profits.

Financial performance

Total sales increased to £762.4 million, a rise of 3.8 per cent as a result of the sales contribution from new shops. Like-for-like sales were down 0.8 per cent for the year as a whole, although there was an improving trend in the latter part of the year resulting in like-for-like growth of 1.2 per cent in the second half and 2.6 per cent in the fourth quarter.

Operating profit before exceptional items was down 19.1 per cent at £41.5 million and pre-tax profit before exceptional items was down by 18.9 per cent to £41.3 million. In addition we took an exceptional charge of £8.1 million reflecting expected one-off costs resulting from the strategic decisions announced with our interim results in August. Our Finance Director, Richard Hutton, comments on financial performance in more detail in the Financial Review.

Market background: Growing food-on-the-go market

While there are signs of recovery in the UK economy, disposable incomes remained under pressure for the year impacting retail demand and footfall in shopping locations. General market conditions were not helped by two periods of extreme weather; snow in quarter one and a heat wave in quarter three.

Nevertheless our strategic review confirmed that the food-on-the-go market is still growing and attracting expansion by our competitors, particularly convenience supermarkets, coffee shops and fast food operators. Whilst Greggs has defended its position as the leading retail bakery business it has underperformed the food-on-the-go market as new entrants and existing competitors have rapidly expanded shop numbers and better met customer demands.

The Greggs brand occupies a strong position in the food-on-the-go market with a reputation for good value, fresh and tasty products and great customer service. We estimate Greggs ranks number one in the market for savoury snacks and breakfast and number two for sandwiches. A recent national survey of customer service ranked Greggs the 10th best brand in the UK and significantly ahead of all but one of our specialist food-on-the-go competitors (source: UKCSI).

Greggs appeals to a broad customer base and, with signs of easing pressure on consumer disposable incomes appearing towards the end of the year, this should support continued growth in the market for food-on-the-go. However, we are conscious that we are likely to continue to see increased competition and the trend towards online shopping will maintain pressure on footfall in many shopping locations.

Strategic direction: Focus on food-on-the-go

Our new strategic plan, announced in August 2013, focuses on growing like-for-like sales by improving the quality of our existing estate and making our operation simpler and more efficient. The plan has four key pillars:

1. Great tasting fresh food
2. A great shopping experience
3. Simple and efficient operations
4. Improvement through change

These pillars are all supported by our approach to keeping our people, communities and values at the heart of our business.

Our strategic plan represents a major programme of change over a period of up to five years and we have mapped out a number of key targets and milestones that we will use to track progress:

- Restoring like-for-like sales growth
- Achieving targeted returns on our increased investment in shop refits
- Delivery of operational and supply chain efficiencies
- Achieving the planned benefits from our investment in processes and systems

As part of the review we made a number of decisions to stop work on other areas of development which are no longer core to our strategy. The key decisions were not to extend our wholesale "bake at home" business with Iceland Foods Ltd to further retailers; not to proceed with the building of a second frozen manufacturing facility in the East Midlands; to stop the development of the Greggs moment coffee shop format, instead focusing on growing coffee sales in our existing Greggs-branded estate; and not to develop an international business in the near future.

Delivering our plans

1. Great tasting fresh food

Greggs is a much-loved and trusted brand and we can leverage our heritage in fresh bakery to compete successfully in the food-on-the-go market. The Greggs product offer is differentiated by the way that it is freshly prepared each day in our shops and so delivers an "Always Fresh. Always Tasty." experience that others find hard to match.

Changes to product range

We made a number of product changes last year that are already helping to drive improved sales. Our sweet range was simplified and redeveloped to offer new products better suited to snacking or a treat to go with lunch. We introduced a new pizza product that has quickly become one of our fastest selling lines. We launched a range of new 'heat to eat' sandwiches in the autumn which has driven growth in that category. In savouries we have improved the filling in our best-selling lines such as Steak Bakes, Sausage and Bean Melt and Chicken Bake, all of which have sold well as a result.

Value

Outstanding value for money is a key attribute of the Greggs proposition and we have continued to focus on market leading promotions which drive growth and average transaction values. We maintained our £2 breakfast meal deal throughout the year, again driving double digit growth as this meal occasion continues to grow in importance to food-on-the-go customers. In sandwiches we sharpened our deal to offer a wider range of sandwiches and a drink for just £2.75 which greatly increased the level of customer participation. Impulse offers to take to the home or office, such as our "4 for the price of 3" deal on sausage rolls, also sold very well.

2014 product initiatives

We have a programme of activity planned for 2014 to make further advances in our product quality and value offer. As an example we are about to launch our new coffee campaign which includes a new blend which has tested well with consumers and will be promoted in our £2 breakfast meal deal. It will also feature as part of a new £2 deal with any sweet bakery item and a £3 deal with a wide range of sandwiches.

New Commercial Director

We have a strong leadership team in Greggs but one area we have been seeking to strengthen further is trading and category management. I am delighted to confirm that we have appointed Malcolm Copland as our new Commercial Director to lead our teams in this area. Malcolm joins us from Marks and Spencer where he spent 23 years successfully developing his career in the food business specialising in category management.

2. A great shopping experience

As well as improvements to our product offer we have started to make changes to our service levels in shops to meet better the needs of food-on-the-go customers. We have invested in increased labour hours to improve the availability of our freshly made sandwiches in the morning, extended afternoon trading hours and improved the range of fresh products available on a Sunday, all of which has helped to drive sales.

'Bakery food-on-the-go' format

We changed the focus of our shop investment programme to slow down new shop expansion and accelerate shop closures in poor performing locations. At the same time we simplified our shop format development to focus on one 'bakery food-on-the-go' format and doubled the annual rate of shop refits.

Estate changes and refurbishments

We opened 68 new shops (including 15 franchised units) in the year and closed 68, leaving total shop numbers unchanged with 1,671 shops trading at 28 December 2013. 70 per cent of our new shops were opened in locations away from high streets such as retail and industrial parks, motorway service stations and travel hubs. We now have 25 franchised shops which are run in conjunction with Moto Hospitality Limited and Euro Garages Limited and continue to see this model as offering opportunities for further growth away from high street locations.

We completed 216 shop refurbishments during the year combining the best features of our previously separate ‘Food-on-the-go’ and ‘Local Bakery’ concepts into the ‘bakery food-on-the-go’ format. The performance of these refurbished shops has been encouraging with high single digit improvements in like-for-like sales.

In 2014 we plan to refit around 200 shops in our ‘bakery food-on-the-go’ format. We expect to open 60-80 new shops, including further development of our franchise partnerships, and close a similar number of shops in the year. Our shop opening and closure programme will continue to improve the overall quality and performance of our estate whilst rebalancing it towards more sustainable long-term locations. With online shopping set to change customer patterns over the long term we expect to reduce our exposure to locations where footfall is declining and increase our presence in travel, leisure and work-centred catchments. While the focus of the business for the next few years will be on growing like-for-like sales we continue to believe in the opportunity for increased shop numbers in the longer term.

Greggs loyalty scheme

During 2013 we have been developing our Greggs digital reward scheme. “Greggs Rewards” has undergone extensive testing and officially launches today on the App Store for iPhones and on Google Play for Android handsets. For customers it’s a faster way to pay as well as providing benefits and rewards. For Greggs it will provide valuable information to enable us to enhance the customer experience further.

3. Simple and efficient operations

Greggs is unusual in the food retail market in being predominantly vertically integrated, owning its own manufacturing and logistics operation. This model provides advantages in controlling what goes into the food we sell and our speed to market with product development but carries risk in operational gearing.

Driving supply chain efficiencies

Alongside our focus on driving like-for-like sales from our existing estate of shops we will concentrate on driving simpler and more efficient operations from our supply chain. We have made good progress in improving supply chain efficiency over several years and have further opportunities to improve in the years ahead. For example, we announced a new step in this direction earlier this year with proposals to consolidate the remaining 79 in-store bakeries into our regional bakery network over the next 12-18 months.

The general direction of change in our supply chain is towards further consolidation, creating centres of excellence for key product types and developing more effective logistics solutions. Our aim is to improve product quality and consistency together with providing a more responsive, cost effective supply service to our shops.

More effective support operations

As well as improving our supply chain operation we need to improve our operational effectiveness in support areas in order to maximise our scope for investment in front line customer service. As a result we recently announced a proposal to restructure our management and support teams across the country and this may result in a number of roles becoming redundant.

We have entered into consultation with trade union and employee representatives of those affected to refine and develop both the in-store bakery and support team restructuring proposals and expect to complete this in the near future. These combined proposals may result in a total of around 410 roles becoming redundant. Clearly these proposed changes have a significant impact on our people and we are determined to manage the process in line with Greggs' longstanding values - treating everyone with fairness, consideration and respect.

As previously announced, the proposed changes to in-store bakeries and support operations are expected to result in one-off redundancy costs and asset impairment charges amounting to £9.0 million in 2014, of which £8.0 million would be a cash cost. We anticipate that the ongoing benefit of the cost reduction would be £6.0 million per year from mid-2015 and that, excluding the one-off costs, there would be a benefit in 2014 of £2.0 million.

4. Improvement through change

Investment in systems

In August 2013 we announced a five year change programme whereby we will invest in process and systems platforms that will enable us to compete more effectively in the fast-moving food-on-the-go market. We plan to invest £25 million over the next five years in process improvement and systems replacement and expect to deliver £38 million of related business benefits over the same period. In the next two years we expect that the costs of this programme will impact profits by around £2 million annually. The net annual benefit to the business at the conclusion of the programme is expected to be £6 million.

In 2014 we will deliver the first two elements of this programme, relating to workforce management and supplier relationship management.

Keeping our people, communities and values at the heart of our business

2013 has been a challenging year for Greggs and the scale of change involved in our new strategic plan will inevitably have had an impact on our people. It is at times like these that our values as a business are put to the test and I am immensely proud of our teams for the professionalism and fortitude they have displayed as we move forward with our plan.

While business pressures have been unrelenting our people have remained committed to making a difference to our local communities. This is evident through their support of both the Greggs Foundation and national causes. A significant proportion of the

Foundation's impact is achieved through the generosity of our people and customers - in 2013 around £350,000 was raised in our shops and our bakeries for the Foundation, including £138,000 during the 'Foundation Month' appeal. Fundraising efforts such as this, combined with our annual donation (one per cent of our pre-tax profits) enabled the Foundation to distribute a total of £1.3 million in support of a wide range of local community initiatives. This included the Greggs Breakfast Club scheme, with over 255 clubs serving over 2 million free, wholesome breakfasts every year.

For the third year running we raised over £1 million for the BBC Children in Need Appeal through the extraordinary efforts of Greggs people up and down the country. This would not have been possible without the continued generosity of our customers who also helped Greggs to raise over £200,000 for the Royal British Legion's Poppy Appeal and over £100,000 for the Philippines Typhoon Appeal.

Additional ways in which we help to make a difference to local communities include the co-ordination and implementation of employability programmes. Targeting young people and marginalised groups, we helped over 250 individuals with employability skills in 2013, resulting in over 70 being offered paid employment. We have also continued our support for the Business in the Community's "Business Connectors" secondment scheme and are proud to have five colleagues currently on secondment in this capacity.

We continued to make good progress in the remaining three key areas of our social responsibility agenda; creating a great place for our people to work, food our customers can trust and reducing our impact on the world around us. 2013 highlights include continuing to share 10 per cent of profits with our people, donating 566 volunteer days and providing 87 per cent of our management population with career development training. We have successfully increased sales of 'under 400 calorie' products by 20 per cent, introduced calorie information at the point of purchase for our national range and reduced salt in our savoury production process by 30 per cent. We have also minimised our carbon footprint by installing photovoltaic arrays on the roofs of ten of our bakeries.

We have achieved recognition across the business at a number of awards ceremonies during the year. These include being named Bakery Sandwich Retailer and Sandwich Designer of the Year at the British Sandwich Industry Awards, Retail Innovator at the Baking Industry Awards, Talent Attraction and Management Company of the Year at the North East CIPD Awards and winning a gold award at the Digital Impact Awards for best use of digital in the retail sector.

Outlook for 2014

2014 will be a year of further change for Greggs as we move forward with our new strategy to focus on the food-on-the-go market. Market conditions are expected to remain challenging but I am encouraged by the improvement seen in our like-for-like sales in recent months. Like-for-like sales in the first eight weeks to 22 February 2014 grew by 2.1 per cent, although this includes comparison with snow-impacted sales in January 2013.

Cost inflation has shown signs of easing recently and this is welcome but, as we have previously indicated, the costs of investing in our change programme are likely to constrain profit growth over the next two years. However, the proposed organisational changes recently announced, together with the benefits of the process and systems investment programme, will help to protect profits in the event of continued like-for-like sales pressure and provide the platform for profitable growth when like-for-like sales strengthen.

Roger Whiteside
Chief Executive
26 February 2014

FINANCIAL REVIEW

The 2013 financial performance reflects tough trading conditions and one-off costs resulting from our strategic review. The early signs of our change in strategic focus are encouraging and we are making good progress with our efficiency programmes. The strength of our cash generation has supported continued investment in our core estate and maintenance of the dividend.

Sales

Total Group sales for the 52 weeks ended 28 December 2013 were £762.4 million (2012: £734.5 million), an increase of 3.8 per cent. Like-for-like sales were down by 0.8 per cent over the year as a whole with sales growth primarily being driven by the contribution from new shops.

Profit before exceptional items

Operating profit before exceptional items was £41.5 million (2012: £51.3 million), a 19.1 per cent reduction. The result reflects the impact of reduced like-for-like sales in the core Greggs estate in the first half of the year and the initial costs of our programme of change designed to make us compete more effectively in the food-on-the-go market.

After net finance charges of £0.2 million (2012: £0.4 million) pre-tax profit before exceptional items was £41.3 million (2012: £50.9 million), an 18.9 per cent reduction. The impact of exceptional costs in the year is discussed below.

Operating margin

Operating margin before exceptional items was 5.4 per cent (2012: 7.0 per cent).

The overall gross margin for the business reduced to 59.9 per cent (2012: 60.9 per cent) reflecting the operational gearing in the business and increased customer participation in promotional deals. Input cost inflation remained a challenge throughout the year although the rate of food inflation eased in the fourth quarter.

In a year when like-for-like sales decline put pressure on cost recovery in our core estate, it was important that we continued to make good progress against our cost saving targets. We implemented an additional £5.3 million worth of savings in the year through procurement, logistics and efficiency initiatives. We expect to continue this level of activity in the year ahead and, as previously announced, are now consulting on proposals to make structural changes designed to improve the efficiency of our existing bakery network and improve our operational effectiveness in support areas. We will also be commencing the investment programme in processes and systems replacement that will ultimately deliver significant benefits.

Overall shop numbers were maintained in 2013 but we have increased the rate at which we are closing and relocating shops in order to improve the quality and performance of our core estate and ensure that our locations match customers' changing needs. In 2013 we closed 68 shops, relocating 17 and opening a further 51 in new catchment areas. Of these new catchment areas 15 were developed with franchise partners. In the year we made a charge of £0.9 million against a further 37 shops where performance is such that the assets are considered to be impaired. Further costs were incurred following our strategic review as a result of the decision to close nine loss-making shops and these are included as “Exceptional items” below. In 2013 we recognised gains on the disposal of freehold properties totalling £1.3 million (2012: £0.8 million).

In 2013 we adopted the amendments to IAS 19: “Employee Benefits”. This has necessitated a restatement of the 2012 costs resulting in an additional £1.0 million charge before taxation in that year. The restated 2012 pre-tax profit before exceptional items on this basis is £50.9 million.

Exceptional items

The strategic changes announced with our interim results in August 2013 have resulted in an exceptional charge in the year of £8.1 million. This relates to the closure of nine loss-making shops, restructuring of the “Greggs moment” coffee shops, plans to re-shape our estate and changes to our plans for supply chain development. The total charge comprises cash costs incurred in the year of £0.1 million, asset impairment and write-off charges of £4.9 million and a provision for onerous lease liabilities of £3.1 million. These charges involve judgements as to the level of impairment of assets and the cost of exiting onerous leases. If the future cost of these changes proves to be materially different from the current assessment then any subsequent impacts will also be shown as exceptional items. By refocusing our strategy on the core estate we are seeing the early signs of improved like-for-like sales and good returns on capital.

The exceptional gain of £1.4 million in 2012 reflected the successful disposal of a freehold property against which an exceptional charge had previously been made. Pre-tax profit in 2013 including exceptional items was £33.2 million (2012: £52.4 million).

Taxation

Excluding the impact of exceptional items the Group’s underlying tax charge was 25.0 per cent (2012: 24.0 per cent). The overall tax rate for the year including exceptional items was 27.0 per cent (2012: 24.0 per cent). The effective rate reflected the lowering of the headline rate of corporation tax from 24 per cent to 23 per cent in April 2013 and the revaluation of deferred tax liabilities to 21 and 20 per cent following enactment of further Corporation Tax reductions in the year. The reduction in Company profits has increased the significance of non-qualifying expenditure in our tax computations, adding 1.0 percentage point to the effective rate.

We now expect the effective rate excluding exceptional items for 2014 to be 25.0 per cent, falling to 23.5 per cent by 2016.

Earnings per share

Diluted earnings per share before exceptional items were 30.6 pence (2012: 38.3 pence), a reduction of 20.1 per cent. Basic earnings per share before exceptional items were 30.8 pence (2012: 38.9 pence). Earnings per share including exceptional items were 23.9 pence diluted (2012: 39.4 pence) and 24.1 pence basic (2012: 40.0 pence).

Dividend

The Board recommends a final dividend of 13.5 pence per share (2012: 13.5 pence). Together with the interim dividend of 6.0 pence (2012: 6.0 pence), paid in October 2013, this makes a total for the year of 19.5 pence (2012: 19.5 pence). This is covered 1.6 times by diluted earnings per share before exceptional items. The dividend for the year is covered 1.7 times by free cash flow (see below).

Subject to the approval of shareholders at the Annual General Meeting, the final dividend will be paid on 9 May 2014 to shareholders on the register on 11 April 2014.

Capital expenditure

We invested £47.6 million (2012: £46.9 million) of capital expenditure in the business during 2013. This included the opening of 53 new shops (excluding franchises) and 216 shop refurbishments. Investment in our supply chain was focused on efficiency activity and the replacement of end-of-life assets. Depreciation and amortisation (excluding impairment charges) in the year was £33.4 million (2012: £32.4 million).

We plan capital expenditure of around £50 million in 2014. As in 2013 we will prioritise investment in our core estate and plan to refurbish around 200 shops in 2014. We expect to open 60-80 new shops and close a similar number, maintaining the overall estate at the same size. Investment in processes and systems will increase as we progress the first phase of our transformation plan.

Return on capital

We manage return on capital against predetermined targets and monitor performance through our Investment Board, where all capital expenditure is subject to rigorous appraisal before and after it is made. For investments in new shops and refurbishments we target a cash return on invested capital of 22.5 per cent over an average investment cycle of seven years. Other investments are appraised using discounted cash flow analysis.

Excluding exceptional costs, we delivered an overall return on capital employed (ROCE) for 2013 of 16.4 per cent (2012: 21.3 per cent excluding exceptional credit). The fall in ROCE reflects the decline in the business' operating profit in the year, which was significantly impacted by like-for-like sales performance. Underlying investment returns on our refurbishment expenditure were good, encouraging us to continue with the accelerated programme in 2014. The performance from investments in new shop was mixed, resulting in greater emphasis in our 2014 plans on relocating shops to better locations and increasing our presence in travel, leisure and work-related catchments.

Cash flow and balance sheet

Group EBITDA was £77.0 million (2012: £84.3 million). Improvements were made in working capital management and at the end of the year the Group had net cash and cash equivalents of £21.6 million (2012: £19.4 million) plus a short term cash deposit of £3.0 million (2012: £nil). This is an appropriate level given the leverage inherent in the Group's predominantly leasehold shop estate, the ongoing working capital position and the seasonality of cash flows across the financial year. Investment plans for the year ahead will be financed from cash generation and existing facilities.

Richard Hutton
Finance Director
26 February 2014

Greggs plc
Consolidated income statement
for the 52 weeks ended 28 December 2013 (2012: 52 weeks ended 29 December 2012)

	Note	**2013 Excluding exceptional items**	**2013 Exceptional items (see note 3)**	**2013 Total**	2012 Excluding exceptional items (restated)	2012 Exceptional items (see note 3)	2012 Total (restated)
		£'000	**£'000**	**£'000**	£'000	£'000	£'000
Revenue	2	**762,379**	**-**	**762,379**	734,502	-	734,502
Cost of sales		**(305,914)**	**(1,684)**	**(307,598)**	(287,193)	1,445	(285,748)
Gross profit		**456,465**	**(1,684)**	**454,781**	447,309	1,445	448,754
Distribution and selling costs		**(378,047)**	**(6,453)**	**(384,500)**	(362,067)	-	(362,067)
Administrative expenses		**(36,923)**	**-**	**(36,923)**	(33,947)	-	(33,947)
Operating profit		**41,495**	**(8,137)**	**33,358**	51,295	1,445	52,740
Finance expense		**(206)**	**-**	**(206)**	(377)	-	(377)
Profit before tax		**41,289**	**(8,137)**	**33,152**	50,918	1,445	52,363
Income tax	4	**(10,346)**	**1,383**	**(8,963)**	(12,206)	(344)	(12,550)
Profit for the financial year attributable to equity holders of the Parent		**30,943**	**(6,754)**	**24,189**	38,712	1,101	39,813
		=======	=======	=======	=======	=======	=======
Basic earnings per share	5	**30.8p**	**(6.7p)**	**24.1p**	38.9p	1.1p	40.0p
Diluted earnings per share	5	**30.6p**	**(6.7p)**	**23.9p**	38.3p	1.1p	39.4p

Consolidated statement of comprehensive income
for the 52 weeks ended 28 December 2013 (2012: 52 weeks ended 29 December 2012)

	Note	**2013**	2012 (restated)
		£'000	£'000
Profit for the financial year		**24,189**	39,813
Other comprehensive income			
Items that will not be recycled to profit and loss:			
Re-measurements on defined benefit pension plans		**4,293**	5,236
Tax on items taken directly to equity		**(859)**	(1,204)
Other comprehensive income for the financial year, net of income tax		**3,434**	4,032
Total comprehensive income for the financial year		**27,623**	43,845
		=======	=======

Greggs plc
Consolidated Balance sheet
at 28 December 2013 (2012: 29 December 2012)

	2013 £'000	2012 £'000
ASSETS		
Non-current assets		
Intangible assets	**1,012**	144
Property, plant and equipment	**267,797**	264,257
Defined benefit pension asset	**55**	-
	268,864	264,401
Current assets		
Inventories	**15,405**	17,658
Trade and other receivables	**25,012**	26,917
Cash and cash equivalents	**21,572**	19,381
Other investments	**3,000**	-
	64,989	63,956
Total assets	**333,853**	328,357
LIABILITIES		
Current liabilities		
Trade and other payables	**(72,203)**	(71,955)
Current tax liabilities	**(5,564)**	(7,101)
Provisions	**(2,949)**	(359)
	(80,716)	(79,415)
Non-current liabilities		
Other payables	**(7,040)**	(7,502)
Defined benefit pension liability	**-**	(4,056)
Deferred tax liability	**(7,508)**	(9,199)
Long-term provisions	**(2,412)**	(1,395)
	(16,960)	(22,152)
Total liabilities	**(97,676)**	(101,567)
Net assets	**236,177**	226,790
	=======	=======
EQUITY		
Capital and reserves		
Issued capital	**2,023**	2,023
Share premium account	**13,533**	13,533
Capital redemption reserve	**416**	416
Retained earnings	**220,205**	210,818
Total equity attributable to equity holders of the Parent	**236,177**	226,790
	=======	=======

Greggs plc
Group statement of changes in equity
for the 52 weeks ended 28 December 2013 (2012: 52 weeks ended 29 December 2012)

52 weeks ended 29 December 2012

	Attributable to equity holders of the Company				
	Issued capital	Share premium	Capital redemption reserve	Retained earnings (restated)	Total (restated)
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2012	2,023	13,533	416	182,411	198,383
Total comprehensive income for the year					
Profit for the financial year	-	-	-	39,813	39,813
Other comprehensive income	-	-	-	4,032	4,032
Total comprehensive income for the year	-	-	-	43,845	43,845
Transactions with owners, recorded directly in equity					
Sale of own shares	-	-	-	3,624	3,624
Share-based payment transactions	-	-	-	346	346
Dividends to equity holders	-	-	-	(19,406)	(19,406)
Tax items taken directly to reserves	-	-	-	(2)	(2)
Total transactions with owners	-	-	-	(15,438)	(15,438)
Balance at 29 December 2012	2,023	13,533	416	210,818	226,790
	=======	=======	=======	=======	=======

52 weeks ended 28 December 2013

	Attributable to equity holders of the Company				
	Issued capital	Share premium	Capital redemption reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 30 December 2012	**2,023**	**13,533**	**416**	**210,818**	**226,790**
Total comprehensive income for the year					
Profit for the financial year	**-**	**-**	**-**	**24,189**	**24,189**
Other comprehensive income	**-**	**-**	**-**	**3,434**	**3,434**
Total comprehensive income for the year	**-**	**-**	**-**	**27,623**	**27,623**
Transactions with owners, recorded directly in equity					
Sale of own shares	**-**	**-**	**-**	**860**	**860**
Share-based payment transactions	**-**	**-**	**-**	**592**	**592**
Dividends to equity holders	**-**	**-**	**-**	**(19,582)**	**(19,582)**
Tax items taken directly to reserves	**-**	**-**	**-**	**(106)**	**(106)**
Total transactions with owners	**-**	**-**	**-**	**(18,236)**	**(18,236)**
Balance at 28 December 2013	**2,023**	**13,533**	**416**	**220,205**	**236,177**
	=======	=======	=======	=======	=======

Greggs plc

Group statement of cashflows
for the 52 weeks ended 28 December 2013 (2012: 52 weeks ended 29 December 2012)

	Note	Group 2013 £'000	2012 £'000
Operating activities			
Cash generated from operations (see below)		**82,493**	70,013
Income tax paid		**(13,157)**	(13,435)
Net cash inflow from operating activities		**69,336**	56,578
Investing activities			
Acquisition of property, plant and equipment		**(47,808)**	(46,035)
Acquisition of intangible assets		**(785)**	-
Proceeds from sale of property, plant and equipment		**3,194**	4,563
Interest (paid) / received		**(24)**	49
(Acquisition) / redemption of other investments		**(3,000)**	500
Net cash outflow from investing activities		**(48,423)**	(40,923)
Financing activities			
Sale of own shares		**860**	3,624
Dividends paid		**(19,582)**	(19,406)
Net cash outflow from financing activities		**(18,722)**	(15,782)
Net increase / (decrease) in cash and cash equivalents		**2,191**	(127)
Cash and cash equivalents at the start of the year		**19,381**	19,508
Cash and cash equivalents at the end of the year		**21,572**	19,381
		=======	=======

Cash flow statement – cash generated from operations

	2013 £'000	2012 (restated) £'000
Profit for the financial year	**24,189**	39,813
Amortisation	**161**	145
Depreciation	**33,225**	32,298
Impairment	**5,252**	544
Loss / (profit) on sale of property, plant and equipment	**1,390**	(1,475)
Release of government grants	**(470)**	(471)
Share-based payment expenses	**592**	346
Finance expense	**206**	377
Income tax expense	**8,963**	12,550
Decrease/ (increase) in inventories	**2,253**	(3,384)
Decrease/ (increase) in receivables	**1,905**	(5,752)
Increase / (decrease) in payables	**1,220**	(3,233)
Increase/ (decrease) in provisions	**3,607**	(1,745)
Cash from operating activities	**82,493**	70,013
	=======	=======

Greggs plc

Notes:

1) Basis of preparation and accounting policies

The preliminary announcement has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the EU ("adopted IFRSs"), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. It does not include all the information required for full annual accounts.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 28 December 2013 or 29 December 2012 but is derived from these accounts. Statutory accounts for the 52 weeks ended 29 December 2012 have been delivered to the registrar of companies, and those for the 52 weeks ended 28 December 2013 will be delivered in due course. The auditor has reported on those accounts; the audit reports were (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.

The preliminary announcement has been prepared using the accounting policies published in the Group's accounts for the 52 weeks ended 29 December 2012, which are available on the Company's website www.greggs.co.uk, with the exception of:

(a) the policy on defined benefit pension schemes which has been amended to read as set out below:

The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA, that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Re-measurements arising from defined benefit plans comprise actuarial gains and losses and the return on plan assets (excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

(b) a policy for dilapidation provisions had been adopted:

Provisions for dilapidations are recognised on a lease by lease basis and are based on the Group's best estimate of the likely committed cash outflow.

(c) the adoption of the following standards, amendments and interpretations which became effective during the year:

- IFRS 13 'Fair Value Measurement'
- IAS 19 'Employee Benefits' (Revised)
- Amendments to IFRS 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities'
- Amendment to IAS 1 'Presentation of Financial Statements'

Except for IAS 19 (Revised), the adoption of the above has not had a significant impact on the Group's profit for the year or equity.

The implementation of IAS 19 (Revised) has impacted the income statement in the following ways:

- A change in the calculation of the interest income on plan assets. This was previously based on the expected returns on the various asset types held within the investment portfolio. It is now calculated at the same rate used to calculate the interest expense on the pension liability, being a discount rate derived from high quality corporate bonds. The difference between this calculated return and the actual return is reported as a re-measurement through reserves; and
- The reporting of a combined net figure within finance expense, rather than showing the movement on the expected return on plan assets and the interest on the pension obligation within administrative expenses.

As a result of this the consolidated income statement, the consolidated statement of comprehensive income and the consolidated cashflow have been restated for the 52 weeks ended 29 December 2012. There is no change to the net pension liability or to net assets as a result of the implementation of IAS19 (Revised) and therefore no restatement of the balance sheet is required.

The impact on the consolidated income statement is as follows

	52 weeks ended 29 December 2012		
	As originally presented £'000	Impact of IAS19 (Revised) £'000	Restated £'000
Operating profit	53,293	(553)	52,740
Finance income / (expense)	49	(426)	(377)
Profit before tax	53,342	(979)	52,363
Tax	(12,775)	225	(12,550)
Profit after tax	40,567	(754)	39,813
Earnings per share – basic	40.7p	(0.7p)	40.0p
Earnings per shares – diluted	40.1p	(0.7p)	39.4p

The impact on the consolidated statement of comprehensive income is as follows:

	52 weeks ended 29 December 2012		
	As originally presented £'000	Impact of IAS19 (Revised) £'000	Restated £'000
Profit for the period	40,567	(754)	39,813
Re-measurements on defined benefit pension plans	4,257	979	5,236
Tax on items taken directly to equity	(979)	(225)	(1,204)
Total comprehensive income for the period	43,845	-	43,845

The figures for cash generated by operations in the cashflow statement have also been amended to reflect these changes.

2) Segment analysis

The Board is considered to be the “chief operating decision maker” of the Group in the context of the IFRS 8 definition. The information which is reviewed by the Board for the purposes of assessing financial performance and allocating resources comprises the profit and loss account for the Company as a whole.

As a result of the strategic changes during the year the Group has reassessed the segmentation of its operations. The Group has identified one operating segment – food-on-the-go retailing which includes the sale of products through our own shops and franchised operations. The Group conducts a small amount of wholesale business but this is not significant in the context of IFRS 8 and it is no longer anticipated that this will become a ‘Reportable Segment’.

Products and services - the Group sells a consistent range of fresh bakery goods, sandwiches and drinks in its shops. The Group now also provides frozen bakery products to its wholesale customers.

Major customers - the majority of sales are made to the general public on a cash basis. A small proportion of sales are made on credit to certain organisations, including wholesale customers, but these are immaterial in a Group context.

Geographical areas - all results arise in the UK.

The Board has carefully considered the requirements of IFRS 8 and concluded that, as there is 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.

3) Exceptional items

	2013	2012
	£’000	£’000
Cost of sales		
Supply sites - asset impairment	**1,221**	-
- loss on disposal of assets	**463**	-
Closure of Gosforth bakery - profit on disposal of leases	**-**	(345)
- lease costs	**-**	(1,100)
	1,684	(1,445)
Distribution and selling		
Shop asset impairment	**1,790**	-
Loss on disposal of assets	**1,529**	-
Onerous leases	**3,134**	-
	6,453	-
Total exceptional items	**8,137**	(1,445)
	=======	=======

Supply sites

The impairment and loss on disposal of assets arises following the decision that additional capacity in the supply chain is not required in the medium term.

Shop impairment and onerous leases

The impairment charges and loss on disposal relating to shop assets and onerous lease charges arise from the decision to focus on reshaping the Group’s existing estate through closure and resite of shops and withdrawal from the Greggs moment brand.

Gosforth bakery

This relates to the release of the onerous lease provision and the profit on the sale of the old Gosforth bakery site during 2012.

4) Taxation

	2013 Excluding exceptional items £'000	2013 Exceptional items £'000	2013 Total £'000	2012 Total (restated) £'000
Current tax expense				
Current year	**12,463**	**(670)**	**11,793**	15,338
Adjustment for prior years	**(170)**	**-**	**(170)**	(698)
	12,293	**(670)**	**11,623**	14,640
Deferred tax expense				
Origination and reversal of temporary differences	**(886)**	**(713)**	**(1,599)**	(680)
Reduction in tax rate	**(1,200)**	**-**	**(1,200)**	(801)
Adjustment for prior years	**139**	**-**	**139**	(609)
	(1,947)	**(713)**	**(2,660)**	(2,090)
Total income tax expense in income statement	**10,346**	**(1,383)**	**8,963**	12,550
	=======	=======	=======	=======

5) Earnings per share

Basic earnings per share

Basic earnings per share for the year ended 28 December 2013 is calculated by dividing profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year ended 28 December 2013 as calculated below.

Diluted earnings per share

Diluted earnings per share for the year ended 28 December 2013 is calculated by dividing profit attributable to ordinary shareholders by the weighted average number of ordinary shares, adjusted for the effects of all dilutive potential ordinary shares (which comprise share options granted to employees) outstanding during the year ended 28 December 2013 as calculated below.

Profit attributable to ordinary shareholders

	2013 Excluding exceptional items £'000	2013 Exceptional items £'000	2013 Total £'000	2012 Excluding exceptional items (restated) £'000	2012 Exceptional items £'000	2012 Total (restated) £'000
Profit for the financial year attributable to equity holders of the Parent	**30,943**	**(6,754)**	**24,189**	38,712	1,101	39,813
	=======	=======	=======	=======	=======	=======
Basic earnings per share	**30.8p**	**(6.7p)**	**24.1p**	38.9p	1.1p	40.0p
Diluted earnings per share	**30.6p**	**(6.7p)**	**23.9p**	38.3p	1.1p	39.4p

Weighted average number of ordinary shares

	2013 Number	2012 Number
Issued ordinary shares at start of year	**101,155,901**	101,155,901
Effect of own shares held	**(762,222)**	(1,587,754)
Weighted average number of ordinary shares during the year	**100,393,679**	99,568,147
Effect of share options on issue	**912,387**	1,478,599
Weighted average number of ordinary shares (diluted) during the year	**101,306,066**	101,046,746
	=========	=========

6) Dividends

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

	2013 Per share pence	2012 Per share pence
2011 final dividend	**-**	13.5p
2012 interim dividend	**-**	6.0p
2012 final dividend	**13.5p**	-
2013 interim dividend	**6.0p**	-
	19.5p	19.5p
	=======	=======

The proposed final dividend in respect of 2013 amounts to 13.5 pence per share (£13,567,000). This proposed dividend is subject to approval at the Annual General Meeting and has not been included as a liability in these accounts.

	2013 £'000	2012 £'000
2011 final dividend	**-**	13,432
2012 interim dividend	**-**	5,974
2012 final dividend	**13,555**	-
2013 interim dividend	**6,027**	-
	19,582	19,406
	=======	=======

7) Related party transactions

The Group has a related party relationship with its subsidiaries and its directors and executive officers.

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

8) Principal risks and uncertainties

Corporate governance guidance requires the disclosure of principal risks and uncertainties. A principal risk is defined as "a risk or combination of risks which can seriously affect the performance, future prospects or reputation of the entity. These should include those risks that affect the viability of an entity."
Greggs is exposed to a wider range of risks than those listed here. However, these are considered to be the most important to the future development, performance or position of the business. The risks listed are not set out in any particular order, although they are grouped into 4 common themes.

Area of principal risk or uncertainty	Mitigating actions and controls
Business strategy & change	
Change programme The business has embarked on a long-term project to improve operational efficiency, requiring significant capital investment. Progress may not be in line with expectations, or budgets may not be met.	The project delivery is overseen by a Steering Group, providing robust governance. Regular updates are provided to Board, to monitor progress against clearly defined timelines and financial forecasts.
Loyalty scheme & Information security Greggs plans to launch its first loyalty scheme during 2014. This will provide the business with significant quantities of customer data, which need to be handled in a secure manner. More general "cyber risk" issues are also an area of risk to the business.	A cross functional working group has been meeting to determine priorities for improving the business's approach to Information Security. This has focussed principally on issues related to the loyalty scheme in the first instance, to ensure a robust approach before launch.
Structural changes The business is proposing some structural changes as part of its new strategy, to improve our supply chain and reduce overhead costs. This may impact on our ability to deliver to our customers, and could adversely affect staff morale. Expected financial benefits may not ultimately accrue.	A full consultation exercise will be undertaken with affected colleagues to refine proposals. Costs and benefits have been carefully calculated, and will be closely monitored going forward.
Brand & reputation	
Product quality and safety As a Food on the Go manufacturer and retailer, excellent food safety is clearly imperative to maintain consumer confidence in our products. We need to ensure that our ingredients are in line with specification, and are used correctly	Robust procedures are in place in our bakeries, logistics operations and shops to ensure that food safety is maintained. These procedures are supported by robust audit processes, both internally and by regulatory bodies.
Food scare Greggs may suffer from a loss of customer confidence due to a major food scare beyond its control.	The majority of products for sale in our shops have been manufactured by our staff in our bakeries. Checks are carried out to confirm the integrity of our ingredients as part of routine processes.
Consumer trends Greggs may lose customer share due to changing customer trends reducing the popularity of our products.	Work is ongoing by our development teams to reduce calories, fat and salt across our range. Providing nutritional information to our customers helps them to make an informed choice. Regular research is conducted into consumer tastes.
Labelling regulations New food labelling regulations come into force later this year, requiring a full ingredient disclosure for all bakery wrapped products. This presents Greggs with challenges due to local variations in product make-up, and the need to quickly develop new products.	Work to improve the efficiency of our new product development process is ongoing. We are also standardising product specifications throughout our bakeries.

Supply chain	
Single source suppliers Reliance on one supplier for a key ingredient exposes Greggs to a risk of interruption to supply and hence an inability to produce one or more lines.	Wherever possible, a secondary source of supply has been identified, and is periodically tested.
Loss of production Since the majority of our products are made in our own bakeries, any disruption to supply would have a significant impact on our customers.	Contingency plans are in place for our supply sites, and these are regularly tested. Annual site inspections by our property insurers help us to ensure that our facilities are protected against loss. Alternative sources of supply have been identified for key products, and regular testing ensures an ability to provide product to a suitable quality within the required timeframe.
Commodity prices Changes in commodity prices, utilities or other raw material costs could adversely impact our margins and consequently our financial performance or customer value.	Where appropriate, our purchasing team fix prices with suppliers over a period of time, to obtain best value and avoid price volatility.
Finance / regulatory	
Economic outlook / market pressures Continued economic uncertainty, combined with a decline in high street footfall, result in a challenging trading environment for the business	Our products are competitively priced, to offer the consumer value for money. The decision to focus capital expenditure on refitting the existing estate rather than opening new stores should result in a more pleasant shopping experience for our customers. Where new stores have opened in 2013, 70% have been in non-high street locations, to reflect the changes in shopping habits.
Regulatory issues Changes in the regulatory framework, such as new taxation proposals, amended food safety requirements, and so on, could increase the company's costs and hence reduce our competitiveness.	Management monitor changes in regulation and legislation, take advice as appropriate, and use our membership of the CBI, British Retail Consortium and other organisations to lobby the relevant bodies.