



9 January 2014

**GREGGS plc
TRADING UPDATE**

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

IMPROVED TRADING AND PROGRESS WITH STRATEGIC PLAN

Christmas and New Year trading period*

- Total sales up 4.8%
- Like-for-like sales** up 3.1% (2012: down 2.9%)

Financial year 2013***

- Total sales up 3.8%, like for like sales down 0.8%
- Q4 like-for-like sales up 2.6%
- Estate improvement - record 216 shop refits in the year; overall shop number unchanged with 68 openings and closures
- Full year results anticipated to be in line with our previous expectations

* 5 weeks ending 4 January 2014 (2012: 5 weeks ending 5 January 2013).

** Own shop like-for-like sales from those shops with a full year's trading. Excludes franchise and wholesale sales.

*** 52 weeks ending 28 December 2013.

Chief Executive Roger Whiteside comments:

"I am encouraged by the improvement in trading that we achieved as we progressed through the year, in part reflecting our new 'Bakery food-on-the-go' strategy. As a result, full year results should be in line with our previous expectations. Whilst we face a number of challenges in the coming year we remain confident that we can make further progress with our strategic plan in 2014."

Trading update

We traded well over the important Christmas and New Year period. For the five week trading period ending 4 January 2014 total sales grew by 4.8 per cent and like-for-like sales grew by 3.1 per cent (five weeks ending 5 January 2013: down 2.9 per cent on a like-for-like basis).

We enjoyed strong demand for our core food-on-the-go products over the Christmas period with growth in sales of sandwiches, savouries, sweet bakery and drinks. We also introduced a limited range of Christmas favourites, including our famous Festive Bakes and award winning sweet mince pies, which sold well.

For our financial year as a whole (52 weeks ending 28 December 2013) total sales grew by 3.8 per cent and like-for-like sales were down by 0.8 per cent reflecting the difficult trading conditions earlier in the year. However, we saw an improving trend through the year, with like-for-like sales growth in the fourth quarter reaching 2.6 per cent. This improved like-for-like growth was in part driven by the investment in product initiatives and customer service that support our 'Bakery-food-on-the-go' proposition.

During the year we opened 68 new shops (including 15 franchised units) and increased the number of shop closures to 68 leaving total shop numbers unchanged with 1,671 shops trading at 28 December 2013. We opened 70 per cent of our new shops in locations away from high streets. We now have 24 franchised shops in motorway service stations across the UK in partnership with Moto Hospitality Limited, and we opened our first franchised shop with Euro Garages Ltd in September. We continue to see the franchise model as offering opportunities for further growth.

We successfully completed a record number of 216 shop refurbishments in the year, 120 of which were in our new 'Bakery food-on-the-go' format, which has now been adopted for all future refurbishments.

The business continued to generate cash strongly and we finished the year with a net cash balance of £24.6 million (2012: 19.4 million).

Progress with strategic plan

We have made good progress initiating the strategic changes that we outlined in August as part of our Interim Results statement. We have successfully accelerated our shop refit programme and started to make improvements to our products and customer service.

As part of our plan to focus on the performance of our core estate we aim to improve the efficiency of our existing bakery network and improve our operational effectiveness in support areas. As a result we are proposing to make some structural changes to improve our supply chain and reduce general overhead costs.

The structural changes that we propose to make in 2014 are in two areas:

1. The vast majority of our shops are supplied with fresh products from our regional bakery network. As a legacy from earlier business acquisitions there are 79 shops remaining where we currently operate in-store bakeries. It is more efficient to supply our shops from regional bakeries and therefore over the next 12-18 months it is proposed that the remaining shops that are supplied by in-store bakeries will be transferred to our regional bakery network. This would involve the de-commissioning of the in-store bakeries across our estate and may result in 300 roles becoming redundant. Wherever possible we would look to offer existing vacancies to the employees who work in our in-store bakeries but anticipate that many will leave the business.
2. In order to compete effectively in the food-on-the-go market we must continue to simplify the business and improve efficiency. By reducing the cost of our

support operations we will maximise the scope for investment in front line customer service. As a result we are proposing to restructure our management and support teams across the country and this may result in around 110 roles becoming redundant.

We will be entering into a consultation exercise shortly to work with trade union and employee representatives of those affected to refine and develop the proposals.

The proposed changes would result in one-off redundancy costs and asset impairment charges amounting to £9.0m in 2014 of which £8.0m would be a cash cost. We anticipate that the ongoing benefit of the cost reduction would be £6.0m per year from mid-2015 and that, excluding the one-off costs, there would be a benefit in 2014 of £2.0m.

Outlook

We anticipate that we will report full year results in line with our previous expectations when we make our preliminary announcement on 26 February 2014.

Whilst we have been encouraged by the improvement in like-for-like sales we face a year of significant change as we continue to implement our plan to reshape the business to compete more effectively in the food-on-the-go market. As we have previously indicated the costs of this are likely to constrain profit growth over the next two years; however we are confident that we are building a platform for sustainable long-term profitable growth.

ENQUIRIES:

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Notes to Editors:

Greggs Plc (LSE: GRG) is the leading 'Bakery food-on-the-go' retailer in the UK with 1,671 retail outlets serving products including sandwiches made freshly each day, freshly baked savouries, drinks and sweet products to millions of customers each week. The company has been listed on the London Stock Exchange since 1984 and employs approximately 20,000 people.