



The home of fresh baking®

16 May 2012

**GREGGS plc
INTERIM MANAGEMENT STATEMENT**

*Greggs is the leading bakery retailer in the UK,
with almost 1,600 retail shops throughout the country,
serving freshly baked food to six million customers each week*

NEW SHOPS DRIVE SALES GROWTH IN TOUGH MARKET

- Total sales in first 19 weeks up 4.3%
- Like-for-like sales down 1.8%
- Net 20 new shops opened and 42 refits completed
- Wholesaling expanded with eight new frozen take-home products
- Second “Greggs moment” coffee shop opened

The Chairman, Derek Netherton, will deliver the following Interim Management Statement to shareholders at the Annual General Meeting to be held in Newcastle upon Tyne later this morning:

Trading performance

Our total sales for the 19 weeks to 12 May 2012 were up 4.3 per cent, driven by our successful new shop opening programme and the development of new channels to market. Like-for-like sales to 12 May 2012 were down by 1.8 per cent, in line with the performance for the first 10 weeks of the year, as previously reported at the time of our preliminary results.

The trading environment for all retailers has remained extremely challenging, and high street footfall has remained relatively weak. In addition, we have had six disappointing weeks of trading as a result of the exceptionally wet weather in April and early May. Despite these tough trading conditions we have continued to control our costs tightly which has mitigated some of the impact of the bad weather.

Shops and new channels

During the first 19 weeks we opened 25 new shops, making a net addition of 20 after five closures and giving us a total of 1,591 shops at 12 May. Our new shops are performing well, and we are on track to meet our target of adding a net 90 new shops by the end of the year. We also completed 42 shop refurbishments in the period, in line with our plan to refit a total of 100-120 shops during 2012.

Earlier this month we opened our second “Greggs moment” coffee shop in Middlesbrough, following the successful launch of our first coffee shop in Newcastle

upon Tyne. We will continue the roll-out of Greggs moment+ with the opening of three more coffee shops by September 2012.

The performance of our first motorway services shop in Cheshire remains encouraging. Our second shop in partnership with Moto Hospitality Limited is due to open at Birch services on the M62 in June.

Following the successful roll-out of frozen Greggs-branded sausage rolls into Iceland Foods, the range has been extended to include a further seven savoury lines and one sweet line, which are now available in more than 750 Iceland stores. These products, aimed at the take home market, have been well received by Iceland customers.

Proposed changes to VAT

As a business famous for giving great value to our customers, we have highlighted the negative impact of the proposed VAT change during this period of consultation. The strength of feeling amongst our customers was clearly demonstrated with over 300,000 people signing our petition in objection to the tax.

We support the Government's aim of tax simplification, including clarification of the definition of hot takeaway food. Greggs has always charged VAT on products in this category, such as hot sandwiches, soup and hot drinks. What we cannot support is the Government's current proposal to extend the standard rate of VAT to freshly baked food where there is no attempt to keep it hot and which is not designed to be kept hot. The proposed changes are in our opinion unworkable and would give rise to many new anomalies and further uncertainties.

While we understand the Government's need to increase revenue, we fear the current proposal will have a disproportionate impact on the specialist bakery sector, resulting in further unemployment, high street closures and reduced investment. In our submission we will also highlight our concern that the estimate of the extra VAT revenue generated makes insufficient allowance for the Income Tax, NI contributions and Corporate Tax that would be lost, as well as the cost of extra unemployment pay.

We believe there is an alternative to the Government's proposal which will remove any anomalies and make the tax much simpler for both the Government and the consumer. We believe the solution is to see VAT charged on all food kept hot for sale in a heated environment after cooking, all food re-heated to order and all food supplied in heat-retaining packaging. This will very clearly differentiate between fresh bakery food and food that is being sold intentionally hot.

Savoury sales are more than a third of our turnover, and the outcome of the consultation process could have a material impact on our sales and profits. This week, we will be responding formally to the consultation on the proposed changes and hope that the Government will listen to the logic of our alternative approach. In addition, we are looking as a matter of urgency at how best we would respond to a number of possible outcomes on behalf of our shareholders, customers and staff.

Outlook

We believe consumers' disposable incomes will remain under pressure from high fuel, energy and food costs, although consumer sentiment could benefit in the months ahead from major national events including the Diamond Jubilee celebrations, the Olympics and the Euro 2012 football championship.

We will continue to support consumers in these difficult times by driving great value through our meal deals and promotional activity, whilst making Greggs accessible to more new customers through our new shop openings and new channels to market.

ENQUIRIES:

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