GREGGS The home of fresh baking™

14 March 2012

PRELIMINARY RESULTS FOR THE 52 WEEKS ENDED DECEMBER 2011

Greggs is the leading bakery retailer in the UK,
with over 1,500 retail outlets throughout the country,
serving freshly baked products to six million customers each week

RESILIENT SALES AND PROFIT PERFORMANCE

- Sales up 5.8% to £701m
- Like-for-like sales up 1.4%
- Pre-tax profit* up 1.1% to £53.1m
- Diluted earnings per share* up 4.0% to 38.8p
- Dividend per share up 6.0% to 19.3p: 27th consecutive year of dividend growth
- Record numbers of new shop openings: net addition of 84 new shops
- £21 million investment in two new bakeries completed on time and within budget

* before exceptional items: 2011 pre-tax credit £7.4m (2010: nil)

"Greggs performed well in 2011 in what was a very challenging time for the economy and the consumer. We have continued to make good progress towards our strategic objectives with a record number of shop openings across the UK, and investment in two major new bakeries in Newcastle and Cumbria.

"While we expect 2012 to be another year of significant challenge for UK consumers we believe that we are well placed to deliver further progress. In the current year we will continue our accelerated expansion with the opening of around 90 net new shops and further development of new channels to market. This, and our determination to deliver further cost savings, reinforces our belief that the business continues to offer substantial opportunities for long term, profitable growth."

- Derek Netherton, Chairman

ENQUIRIES:

Greggs plc
Ken McMeikan, Chief Executive
Richard Hutton, Finance Director
Tel: 020 7796 4133 on Wednesday 14 March **only**
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Hudson Sandler
Wendy Baker / Alex Brennan
Tel: 020 7796 4133

High resolution images are available for the media to view and download from http://corporate.greggs.co.uk/media-download

CHAIRMAN'S STATEMENT

Greggs performed well in 2011 in what was a very challenging time for the economy and the consumer. We have continued to make good progress towards our strategic objectives with a record number of shop openings across the UK, and investment in two major new bakeries in Newcastle and Cumbria.

Our financial performance

We have delivered another strong set of results. Continued sales growth combined with cost efficiency savings, offsetting some of the major inflationary pressures facing the business, helped to deliver pre-tax profits of £53.1 million before exceptional items (2010: £52.5 million) on sales of £701 million (2010: £662 million).

The Board recommends an increased final dividend of 13.5 pence per share, making a total dividend for the year of 19.3 pence (2010: 18.2 pence). This is an increase of 6.0 per cent, reflecting the growth of diluted earnings per share before exceptional items. This is Greggs' 27th consecutive year of increased dividends since the company floated on the stock market in 1984.

The Board remains committed to pursuing a progressive dividend policy that pays due regard to the growth of earnings per share over the medium term, the cash generative nature of our growing business and our continuing determination to deliver value to our shareholders.

Our values

Our values lie at the very heart of what we do and in our relationships with our staff, customers and shareholders. In such difficult economic times customers expect us to continue providing great tasting products at great value prices; but they also expect us to do even more to help those who are most disadvantaged within the community.

In 2011 we raised record amounts of money for a wide variety of causes, including an amazing £1 million for the BBC Children in Need appeal.

We received the lifetime achievement award at the Sandwich Industry Awards and were also named Corporate Foundation of the Year at the Business Charity Awards, demonstrating that our values are recognised throughout the industry.

I would like to pay tribute to the tremendous efforts of our 20,000 people over the past year. Their continued passion and dedication have been rewarded through our profit sharing scheme, in which 10 per cent of profits are shared among our staff.

The Board

Ian Durant joined us as an independent non-executive director on 5 October 2011. Ian is Chairman of Capital and Counties Properties PLC and a non-executive director of

Greene King plc and Home Retail Group plc. Ian brings extensive financial and commercial experience, particularly in the property field.

Bob Bennett, a non-executive director since 2003, will retire from the Board at our AGM in May. Bob was, until recently, Chairman of the Audit Committee and our Senior Independent Director. We are indebted to him for his service to Greggs and wish him a very long and happy retirement.

In view of Bob's impending retirement we made a number of changes to Board responsibilities at the beginning of 2012, with Julie Baddeley succeeding Bob as Senior Independent Director, Ian Durant taking his place as Chairman of the Audit Committee and Iain Ferguson becoming Chairman of the Remuneration Committee in place of Julie Baddeley.

Prospects

While we expect 2012 to be another year of significant challenge for UK consumers we believe that we are well placed to deliver further progress. In the current year we will continue our accelerated expansion with the opening of around 90 net new shops and further development of new channels to market. This, and our determination to deliver further cost savings, reinforces our belief that the business continues to offer substantial opportunities for long term, profitable growth.

Derek Netherton
Chairman
14 March 2012

CHIEF EXECUTIVE'S REPORT

I am pleased to report a year of progress against the background of continuing pressure on consumers' disposable incomes and substantial increases in energy and ingredient costs. We have grown sales and made Greggs even more accessible to new customers by opening a record number of new shops across the UK. Increased investment in promotional activity has reinforced our long-established reputation for great value, while our drive to improve efficiency throughout the business has contributed to the delivery of another year of profitable growth.

Market background: consumers under pressure

Consumers' disposable income remained under significant pressure throughout 2011, as they were hit by the impact of rising costs for fuel, domestic energy and food. The number of people out of work also continued to grow, with total unemployment reaching its highest level since 1994 and youth unemployment rising to a record of more than one million. Greggs naturally experienced the effects of reduced footfall on high streets resulting from these tough times for the economy as a whole. Some brighter spots included a short term boost in sentiment around the Royal Wedding in April, and very strong demand over the Christmas period. This benefited from softer comparatives with the period of heavy snow in 2010, as well as the more favourable trading pattern of Christmas and New Year's Day falling on Sundays.

Financial performance: in line with expectations

In this challenging trading environment, we achieved record sales of £701 million, a rise of 5.8 per cent. Like-for-like sales increased by 1.4 per cent, slightly ahead of our expectations of marginally positive like-for-like growth over the year as a whole. Operating profit before exceptional items was up 1.2 per cent at £53.0 million and pre-tax profit before exceptional items rose 1.1 per cent to £53.1 million. Our Finance Director Richard Hutton comments on our financial performance in more detail in the Financial Review.

Our products: listening to our customers

Throughout 2011 we recognised that customers were seeking out even greater value and we responded to this with substantial increases in our promotional investment, particularly our popular Meal Deals. A very strong performance in our savouries category during the year further underlined consumers' focus on outstanding value, with these products offering a lower average selling price compared to sandwiches.

The breakfast market continued to grow and we performed strongly in this area, aided by our breakfast Meal Deal. Hot drinks also performed very well, following completion of the roll-out to all our shops of coffee machines serving freshly ground Fairtrade coffee; we sold a record 17.3 million cups of coffee during the year, an increase of 15 per cent.

Consumers welcome innovation and we launched 180 new products during the year an increase of 25 per cent. Notable successes included our range of Superstar

Doughnuts, introduced in October, of which we sold more than 4.8 million by the year end. Hot sandwiches also showed good growth as we continued our roll-out of the range, which is now available in over 700 shops.

The quality of our products was recognised by our success in a number of awards during the year. This included the British Sandwich Association's prestigious "British Sandwich Industry Award".

Our shops: accelerated expansion and new formats

We set new records for both shop openings and shop refurbishments in 2011. In total we opened 98 new shops, a net addition of 84 shops after 14 closures, and we have been very pleased with the performance of these new outlets. Our new shop in the Westfield Stratford City development in London broke all our records for a first day of trading, and is already our second highest turnover shop in the country.

We have continued to move into a wider range of locations where our customers are at work, on the move, or at leisure, with one in three of our new shops opening away from traditional high street locations. This included nine openings in retail parks and six in industrial parks, together with two new shops at petrol filling stations and a kiosk on the concourse of Newcastle railway station. In October we announced our move into the motorway services market through a trial with Moto Hospitality Limited. The first franchised Greggs shop opened at Lymm services in Cheshire in January 2012 and is performing well. We will be exploring further opportunities to open shops in partnership with Moto in the year ahead.

We completed 183 shop refurbishments during the year, making the Greggs shopping experience even more enjoyable for our customers by increasing space for browsing, making more products available for self-selection and providing seating wherever possible. As part of our continuing drive to improve customer service we completed the installation of card payment facilities in all our shops during the first half and introduced contactless payment facilities in the second half.

We believe that there are potentially three types of shop format appropriate for Greggs: 'Food on the go', 'Local bakery' and 'Coffee shop'. The 'Food on the go' and 'Local bakery' formats already exist within Greggs but we believe that there is the potential for a new coffee shop format. Therefore, in September we opened a new coffee shop concept, "Greggs moment", in Newcastle upon Tyne. "Greggs moment" offers a range of specially developed bakery food to complement our freshly ground coffees and broad selection of teas, served in an attractive contemporary environment with seating on two floors. It has been well received by our customers and we will be opening three more "Greggs moment" outlets this year as we continue to pursue the opportunity presented by the growing coffee shop market.

We passed a significant milestone with the opening of our 1,500th shop in York in March 2011, and had a total of 1,571 shops at the year end. We plan to continue our investment in shop expansion and refurbishments in the current year, adding around 90 new shops, net of closures, by the end of 2012, and refitting a further 100 – 120 shops.

New channels to market

During the year we diversified into wholesaling as part of our strategy to access new markets. We believe that Greggs has the potential to expand significantly into the 'take home' food market. The successful trial of Greggs branded four-pack frozen sausage rolls was extended to all 750 Iceland stores nationwide in October, with strong results, and we are now working closely with Iceland to add more Greggs products to their range. Importantly, we have seen no cannibalisation of sales from existing Greggs shops and have received very positive comments from Greggs customers.

Our supply chain: investing for future growth

At Greggs we are both a baker and a retailer. This gives us a distinct point of difference from most of our competitors and a deep passion for our products and the quality of their ingredients. The use of our own unique recipes, and our bakery expertise, enables us to make great tasting food that our customers love, all at great value prices.

During 2011 we completed two major investments in our supply chain, with the commissioning in September of new bakeries in Newcastle upon Tyne and Penrith. Our £16.5 million Gosforth Park bakery in Newcastle replaces an older bakery in the city. Our £4.5 million Penrith bakery is a specialist confectionery facility supplying shops throughout the country. Following the opening of these new facilities we closed our older bakery in Penrith as part of the strategic repositioning of our supply chain capability.

Both new bakeries were completed on time and within budget, and without any interruption in the supply chain to our customers: a major achievement that is a testament to the expertise of our bakery teams. Operationally, both bakeries are performing very well and delivering the expected improvements in efficiency as well as providing us with increased capacity to support our continued shop expansion.

Across our supply chain as a whole, our investment in more efficient processes has delivered significant savings and we now expect to achieve our targeted £10 million of annual savings two years ahead of schedule in 2012.

In 2012 we will not be making the same level of investments in our supply chain that have been a feature of the last two years. We will complete a £2.5 million upgrade of our savoury manufacturing plant in Newcastle, which will increase its capacity by 10 per cent. In addition we will also invest in a "micro" bakery in Norwich to support our expansion in East Anglia, an area outside the reach of our main bakeries.

Social Responsibility: doing the right thing

At Greggs we have always prided ourselves on "doing the right thing", whether for our people, our customers, local communities or the environment.

One great example of this has been the fantastic work done by so many to support children in some of the most disadvantaged communities. By the end of the year Greggs Breakfast Clubs were operating in 180 schools across the UK, providing 8,000 children with a free, healthy breakfast every day. Fourteen clubs are now operating through partner organisations and I am delighted that more companies are becoming involved in supporting Breakfast Clubs. We are enormously grateful to these organisations for having the vision and compassion to tackle child poverty right here in the UK. We were particularly pleased to be able to open five new clubs during the second half in areas of London, Birmingham, Manchester and Liverpool affected by the summer riots. I would also like to pay tribute to the Head Teachers, their staff and the volunteers who make these clubs work so brilliantly.

Our people: our greatest strength

We remain indebted to our people for their incredible energy, enthusiasm and commitment to delivering products and service that will delight our customers. I am particularly pleased that we were able to create more than 800 new retail jobs through our shop opening programme during the year, lifting the total number of Greggs employees above 20,000 for the first time. We continue to share 10 per cent of our profits with our people and I am delighted that a record £5.9 million will be shared among our staff in respect of our performance in 2011.

Outlook for 2012

This will undoubtedly be another challenging year for UK consumers, with disposable incomes expected to continue contracting well into the second half. However, the severe inflationary pressure on fuel, domestic energy and food costs that the consumer suffered in 2011 is not expected to continue at the same level, and sentiment should benefit from major national events including the Diamond Jubilee celebrations, the London Olympics and the Euro 2012 football championship. We are planning to make the most of these opportunities while focusing throughout the year on maximising our customer appeal through continued product innovation and promotional activity.

As we expected, there has been a slow start to 2012. The pattern of Christmas and New Year holiday trading that contributed to the strength of our sales at the close of 2011 reversed in the first week of January and two weeks of severe weather, with snow and ice in many parts of the country, also had an adverse impact on sales. Total sales for the first 10 weeks of the current financial year to 10 March 2012 are up 3.3 per cent, with like-for-like sales down by 1.8 per cent. It is too early to tell if this slower start is a sign of a more prolonged trend in sales, however we have managed costs well through this period and our profit performance remains on target.

Total sales this year will benefit from the opening of around 90 net new shops, creating a further 700 - 800 new retail jobs and making Greggs even more accessible to customers across the UK. We will also continue to drive our programmes of efficiency improvements throughout the business. Our strategy for long term growth is well on track, and I believe that 2012 will be a year of further progress for Greggs.

Kennedy McMeikan
Chief Executive
14 March 2012

FINANCIAL REVIEW

In 2011 we invested to create the capacity for future growth whilst accelerating the number of shop openings and refurbishments as we continue to expand and modernise our estate. Higher increases than we had planned for energy and ingredient costs were mitigated by the accelerated delivery of cost savings, and the business has remained cash generative and financially strong.

Sales

Total Group sales for the 52 weeks ended 31 December were £701 million (2010: £662 million), an increase of 5.8 per cent. Like-for-like sales grew by 1.4 per cent over the year as a whole, comprising an increase of 0.4 per cent in the first half, 0.8 per cent in the third quarter and 3.8 per cent in the final quarter. The improvement in performance towards the end of the year reflected the benefit of more favourable weather in late November and December, compared with a period severely disrupted by snow in 2010, and an advantageous pattern of Christmas and New Year trading.

Profit before exceptional items

Operating profit before exceptional items was £53.0 million (2010: £52.4 million), an increase of 1.2 per cent. The negative impact on profit caused by the additional public holiday in 2011 for the Royal Wedding was in the order of £1 million, reflecting our reduced trading hours and additional costs of operation on the day.

After net finance income of £0.1 million (2010: £0.2 million) pre-tax profit before exceptional items was £53.1 million (2010: £52.5 million), an increase of 1.1 per cent.

Operating margin

Operating margin before exceptional items was 7.6 per cent (2010: 7.9 per cent). Approximately half of this reduction is directly attributable to the costs of the additional public holiday in 2011, with the balance principally reflecting a 50 per cent increase in our investment in promotional activity as we responded to the demands of a significantly more value-driven market place and extended our national Meal Deals.

We bore substantial cost increases in commodity prices during the year, which affected most of our key ingredients as well as our energy-related production, distribution and retailing costs. This pressure was partly mitigated by our continuing drive to identify and unlock cost savings of almost £5 million throughout the business. These were generated by further improvements in the effectiveness of our purchasing, and continued overhead savings following the centralisation of our business. Our supply chain cost reduction programme is ahead of plan, and is now delivering annual savings of £6.8 million compared with the position two years ago. We now expect to achieve our original target of £10 million of annual savings in 2012, two years ahead of schedule, and to increase the total annual saving to £15 million by 2014.

Our diversification into wholesaling, begun in 2011, creates a new growth opportunity for the future. Our initial success with Iceland has demonstrated the potential to sell Greggs products into the take-home market and foodservice sector with no obvious cannibalisation of our own shops' sales.

Exceptional items

There was a net exceptional credit in 2011 of £7.4 million (2010: nil). As already disclosed in the interim report, this principally comprised an exceptional pension credit of £9.6 million arising from the decision that the revaluation and indexation of occupational pensions should in future be based on the Consumer Price Index rather than the Retail Price Index. This was partly offset by a provision of £2.2 million for property and restructuring costs arising from the closure of our old Newcastle and Penrith bakeries as we relocated to new sites.

Pre-tax profit including exceptional items was £60.5 million (2010: £52.5 million), an increase of 15.2 per cent.

Taxation

The Group's effective tax rate for the year was 26.4 per cent (2010: 27.8 per cent), a reduction of 1.4 percentage points, primarily reflecting the lowering of the headline rate of corporation tax from 28 per cent to 26 per cent from April 2011.

Earnings per share

Diluted earnings per share before exceptional items were 38.8 pence (2010: 37.3 pence), an increase of 4.0 per cent, with the increase at the pre-tax level boosted by the lower tax charge and a lower average number of shares in issue following our buyback programme in 2010. Basic earnings per share before exceptional items were 39.5 pence (2010: 37.8 pence). Earnings per share including exceptional items were 44.3 pence diluted (2010: 37.3 pence) and 45.0 pence basic (2010: 37.8 pence).

Dividends

The Board recommends an increased final dividend of 13.5 pence per share (2010: 12.7 pence). Together with the interim dividend of 5.8 pence (2010: 5.5 pence), paid in October 2011, this makes a total for the year of 19.3 pence (2010: 18.2 pence). This is an increase of 6.0 per cent, maintaining cover by diluted earnings per share before exceptional items of 2.0 times.

Subject to the approval of shareholders at the Annual General Meeting, the final dividend will be paid on 25 May 2012 to shareholders on the register on 27 April 2012.

Capital expenditure

We invested £59.1 million (2010: £45.6 million) in the business during 2011. This reflected the completion of the £21 million investment in the Newcastle and Penrith bakeries, as well as the accelerated rate of new shop openings and refits. We also invested £6 million in equipment across the business as we completed the installation of fresh ground coffee machines in all our shops and continued the roll-out of our hot sandwich offer. Depreciation in the year was £30.7 million (2010: £29.0 million).

We plan capital expenditure of circa £45 million in 2012, the focus being on new shop openings and continued refurbishments. As in 2011, our investment in the future of the business will be funded from our own strong cash flow.

Return on capital

We manage our return on capital through our Investment Board, where all capital expenditure is subject to rigorous appraisal both before and after it is made. For new shops, we target a return on capital of over 20 per cent by the third year of operation, in recognition of the fact that we need to cover our longer term investment in the supply chain. Our new shop returns in 2011 were well on track to achieve returns in line with our targets.

We also targeted greater efficiencies in the costs of refurbishing our shops in 2011 and were successful in achieving a reduction of 15 per cent per square metre in the cost of our shopfitting during the year.

Excluding this year's exceptional credit, we delivered an overall return on capital employed for 2011 of 24.4 per cent (2010: 25.9 per cent). The year on year reduction reflects the relatively modest profit progress during a year in which significant capital expenditure was committed.

Cash flows and balance sheet

The Group remains highly cash generative, with total cash generated from operations in 2011 of £88.1 million (2010: £77.8 million). At the end of the year the Group had no debt and net cash and cash equivalents of £19.5 million (2010: £20.8 million). This puts us in a strong position to fulfil the growth potential of the business while continuing to deliver good returns for shareholders.

Richard Hutton
Finance Director
14 March 2012

Greggs plc
Consolidated income statement
for the 52 weeks ended 31 December 2011 (2010: 52 weeks ended 1 January 2011)

	Note	**2011 Excluding exceptionals**	**2011 Exceptional items (see note 3)**	**2011 Total**	2010 Total
		£'000	**£'000**	**£'000**	£'000
Revenue	1	**701,088**	**-**	**701,088**	662,326
Cost of sales		**(270,533)**	**(2,245)**	**(272,778)**	(252,651)
Gross profit		**430,555**	**(2,245)**	**428,310**	409,675
Distribution and selling costs		**(342,641)**	**-**	**(342,641)**	(321,261)
Administrative expenses		**(34,903)**	**-**	**(34,903)**	(36,049)
Other income		**-**	**9,665**	**9,665**	-
Operating profit		**53,011**	**7,420**	**60,431**	52,365
Finance income		**69**	**-**	**69**	158
Profit before tax	3-6	**53,080**	**7,420**	**60,500**	52,523
Income tax	5	**(14,068)**	**(1,929)**	**(15,997)**	(14,589)
Profit for the financial year attributable to equity holders of the Parent		**39,012**	**5,491**	**44,503**	37,934
Basic earnings per share	4	**39.5p**	**5.5p**	**45.0p**	37.8p
Diluted earnings per share	4	**38.8p**	**5.5p**	**44.3p**	37.3p

Consolidated statement of comprehensive income
for the 52 weeks ended 31 December 2011 (2010: 52 weeks ended 1 January 2011)

	2011 £'000	2010 £'000
Profit for the financial year	**44,503**	37,934
Other comprehensive income		
Actuarial (losses) / gains on defined benefit pension plans	**(10,359)**	2,881
Tax on items taken directly to equity	**2,590**	(778)
Other comprehensive income for the financial year, net of income tax	**(7,769)**	2,103
Total comprehensive income for the financial year	**36,734**	40,037

Greggs plc
Group balance sheet at 31 December 2011 (2010: 1 January 2011)

	2011	2010
	£'000	£'000
ASSETS		
Non-current assets		
Intangible assets	**289**	433
Property, plant and equipment	**253,264**	226,150
	253,553	226,583
Current assets		
Inventories	**14,274**	11,883
Trade and other receivables	**21,165**	22,309
Cash and cash equivalents	**19,508**	20,790
Other investments	**500**	3,000
	55,447	57,982
Total assets	**309,000**	284,565
LIABILITIES		
Current liabilities		
Trade and other payables	**(74,304)**	(70,246)
Current tax liabilities	**(5,969)**	(6,282)
Provisions	**(620)**	(1,018)
	(80,893)	(77,546)
Non-current liabilities		
Other payables	**(7,969)**	(8,439)
Defined benefit pension liability	**(8,866)**	(8,764)
Deferred tax liability	**(10,010)**	(10,924)
Long term provisions	**(2,879)**	(2,665)
	(29,724)	(30,792)
Total liabilities	**(110,617)**	(108,338)
Net assets	**198,383**	176,227
	=======	=======
EQUITY		
Capital and reserves		
Issued capital	**2,023**	2,023
Share premium account	**13,533**	13,533
Capital redemption reserve	**416**	416
Retained earnings	**182,411**	160,255
Total equity attributable to equity holders of the Parent	**198,383**	176,227
	=======	=======

Greggs plc
Group statement of changes in equity
for the 52 weeks ended 31 December 2011 (2010: 52 weeks ended 1 January 2011)

52 weeks ended 1 January 2011

	Attributable to equity holders of the Company				
	Issued capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
Balance at 3 January 2010	2,080	13,533	359	148,265	164,237
Total comprehensive income for the year					
Profit for the financial year	-	-	-	37,934	37,934
Other comprehensive income	-	-	-	2,103	2,103
Total comprehensive income for the year	-	-	-	40,037	40,037
Transactions with owners, recorded directly in equity					
Shares purchased and cancelled	(57)	-	57	(12,864)	(12,864)
Sale of own shares	-	-	-	734	734
Share-based payment transactions	-	-	-	642	642
Dividends to equity holders	-	-	-	(17,061)	(17,061)
Tax items taken directly to reserves	-	-	-	502	502
Total transactions with owners	(57)	-	57	(28,047)	(28,047)
Balance at 1 January 2011	2,023	13,533	416	160,255	176,227

52 weeks ended 31 December 2011

	Issued capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
Balance at 2 January 2011	**2,023**	**13,533**	**416**	**160,255**	**176,227**
Total comprehensive income for the year					
Profit for the financial year	**-**	**-**	**-**	**44,503**	**44,503**
Other comprehensive income	**-**	**-**	**-**	**(7,769)**	**(7,769)**
Total comprehensive income for the year	**-**	**-**	**-**	**36,734**	**36,734**
Transactions with owners, recorded directly in equity					
Shares purchased	**-**	**-**	**-**	**(557)**	**(557)**
Sale of own shares	**-**	**-**	**-**	**3,266**	**3,266**
Share-based payment transactions	**-**	**-**	**-**	**699**	**699**
Dividends to equity holders	**-**	**-**	**-**	**(18,286)**	**(18,286)**
Tax items taken directly to reserves	**-**	**-**	**-**	**300**	**300**
Total transactions with owners	**-**	**-**	**-**	**(14,578)**	**(14,578)**
Balance at 31 December 2011	**2,023**	**13,533**	**416**	**182,411**	**198,383**

Greggs plc
Group statement of cashflows
for the 52 weeks ended 31 December 2011 (2010: 52 weeks ended 1 January 2011)

	2011 £'000	2010 £'000
Operating activities		
Cash generated from operations (see below)	**88,112**	77,826
Income tax paid	**(14,334)**	(15,814)
Net cash inflow from operating activities	**73,778**	62,012
Investing activities		
Acquisition of property, plant and equipment	**(62,822)**	(44,672)
Proceeds from sale of property, plant and equipment	**770**	815
Interest received	**69**	158
Redemption / (acquisition) of other investments	**2,500**	(3,000)
Net cash outflow from investing activities	**(59,483)**	(46,699)
Financing activities		
Sale of own shares	**3,266**	734
Shares purchased for Employee Benefit Trust	**(557)**	-
Shares purchased and cancelled	**-**	(12,864)
Dividends paid	**(18,286)**	(17,061)
Government grants received	**-**	49
Net cash outflow from financing activities	**(15,577)**	(29,142)
Net decrease in cash and cash equivalents	**(1,282)**	(13,829)
Cash and cash equivalents at the start of the year	**20,790**	34,619
Cash and cash equivalents at the end of the year	**19,508**	20,790

Cash flow statement – cash generated from operations

	2011 £'000	2010 £'000
Profit for the financial year	**44,503**	37,934
Amortisation	**144**	146
Depreciation	**30,707**	28,965
Loss on sale of property, plant and equipment	**512**	869
Release of government grants	**(470)**	(437)
Gain arising from pension adjustment	**(9,665)**	-
Share based payment expenses	**699**	642
Finance income	**(69)**	(158)
Income tax expense	**15,997**	14,589
(Increase) / decrease in inventories	**(2,391)**	3
Decrease / (increase) in receivables	**1,144**	(1,103)
Increase / (decrease) in payables	**7,777**	(2,467)
Decrease in pension liability	**(592)**	(687)
Decrease in provisions	**(184)**	(470)
Cash from operating activities	**88,112**	77,826

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 31 December 2011 or 1 January 2011. Statutory accounts for the 52 weeks ended 1 January 2011 have been delivered to the registrar of companies, and those for the 52 weeks ended 31 December 2011 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 1 January 2011, which are available on the Company's website www.greggs.co.uk, with the exception of the following standards, amendments and interpretations which became effective during the year and were adopted by the Group:

Revised IAS 24 'Related Party Disclosure'
Improvements to IFRSs
IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'
Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement.
Amendment to IAS 32 'Financial Instruments: Presentation: Classification of Rights Issues'
Amendment to IAS 39 Reclassification of Financial Assets: Effective Date and Transition
Amendments to IFRS 2 Group Cash-settled Share-based Payment Transactions

The adoption of the above has not had a significant impact on the Group's profit for the year or equity.

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.

The Group is a centrally managed business with an integrated supply chain. There are seven retail regions, each reporting to the Group Retail Director. The business performance is assessed after allocation of supply chain costs to the retail regions. These retail regions have similar economic characteristics, products, customers and production and distribution methods and have therefore been aggregated into a single reportable segment. The segment results, as reported to the chief operating decision maker, are calculated under the principles of IFRS.

Products and services - the Group sells a consistent range of fresh bakery goods, sandwiches and drinks in its shops.

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 financial statements no additional numerical disclosures are necessary.

3. Exceptional items

	2011 £'000
Cost of sales	
Closure of Penrith bakery – asset write down and redundancy	**(441)**
Closure of Gosforth bakery	
- asset write down	**(704)**
- lease costs	**(1,100)**
	(2,245)
Administrative expenses	
Pension amendment – see below	**9,665**
Total exceptional items	**7,420**

There were no exceptional items in 2010.

Pension amendment

Following the UK Government's legislation announced in July 2010 that requires statutory indexation of pension benefits to be based on CPI rather than RPI, the Group informed pension members in April 2011 that this amendment would be applied to the Group's defined benefit pension scheme. The exceptional credit represents the ensuing reduction in the net pension liability.

4. Taxation

	2011 £'000	2010 £'000
Current tax expense		
Current year	**15,044**	16,200
Adjustment for prior years	**(1,007)**	(2,961)
	14,037	13,239
Deferred tax expense		
Origination and reversal of temporary differences	**2,174**	(222)
Reduction in tax rate	**(809)**	(405)
Adjustment for prior years	**595**	1,977
	1,960	1,350
Total income tax expense in income statement	**15,997**	14,589

5. Earnings per share

Basic earnings per share

Basic earnings per share for the year ended 31 December 2011 is calculated by dividing profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year ended 31 December 2011 as calculated below.

Diluted earnings per share

Diluted earnings per share for the year ended 31 December 2011 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 31 December as calculated below.

Profit attributable to ordinary shareholders

	2011	**2011**	**2011**	2010
	Excluding exceptionals	**Exceptional items**	**Total**	
	£'000	**£'000**	**£'000**	£'000
Profit for the financial year attributable to equity holders of the Parent	**39,012**	**5,491**	**44,503**	37,934
	=======	=======	=======	=======
Basic earnings per share	**39.5p**	**5.5p**	**45.0p**	37.8p
Diluted earnings per share	**38.8p**	**5.5p**	**44.3p**	37.3p

Weighted average number of ordinary shares

	2011 Number	2010 Number
Issued ordinary shares at start of year	**101,155,901**	103,990,470
Effect of own shares held	**(2,194,189)**	(2,753,645)
Effect of shares purchased and cancelled	**-**	(959,689)
Weighted average number of ordinary shares during the year	**98,961,712**	100,277,136
Effect of share options on issue	**1,512,151**	1,326,346
Weighted average number of ordinary shares (diluted) during the year	**100,473,863**	101,603,482
	=========	=========

6. Dividends

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

	2011 Per share pence	2010 Per share pence
2009 final dividend	**-**	11.4p
2010 interim dividend	**-**	5.5p
2010 final dividend	**12.7p**	-
2011 interim dividend	**5.8p**	-
	18.5p	16.9p
	=======	=======

The proposed final dividend in respect of 2011 amounts to 13.5 pence per share (£13,656,000). This proposed dividend is subject to approval at the Annual General Meeting and has not been included as a liability in these accounts.

	2011 £'000	2010 £'000
2009 final dividend	**-**	11,553
2010 interim dividend	**-**	5,508
2010 final dividend	**12,528**	-
2011 interim dividend	**5,758**	-
	18,286	17,061
	=======	=======

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

The Board is ultimately responsible for the Company's system of internal control, which covers all aspects of the business, and for reviewing its effectiveness. However, any such system can only be designed to manage, rather than eliminate, the risk of failure to achieve the Company's objectives and, therefore, is only able to provide reasonable, and not absolute, assurance against material misstatement or loss.

Our principal risks and uncertainties relating to the business at present are as follows:

Market and economic risks

Risks and their impact	Mitigating actions and controls
Economic uncertainty The continued economic uncertainty in the UK and beyond affects consumer confidence and reduces the footfall on the high street. This could have a detrimental effect on the Company's revenues.	The Company is committed to maintaining the value of its offer and works to find the most effective ways to communicate this to customers. The Company continues to diversify its estate such that it is progressively less reliant on high street footfall.
Consumers' tastes and trends Customer tastes are constantly changing as are trends in eating driven by government backed campaigns linked to the health of the nation and obesity. The Company could lose market share if its products do not keep up with these tastes and trends.	The Company conducts regular research into consumer tastes and works constantly on product development to ensure its range has broad appeal and reflects changing trends. It also monitors changes in and performance of its competitors. The Company recognises the link between a balanced diet and a healthy lifestyle and therefore provides nutritional information on its website to allow customers to make an informed choice.

Operational risks

Risks and their impact	Mitigating actions and controls
Product quality and safety The Company produces and sells a wide range of products. If products are not of a high and consistent standard, or out of date ingredients and products are used and sold the Company could be exposed to significant food safety issues. This could have a detrimental impact on consumer confidence and revenue.	The Company has in place detailed procedures regarding product quality and safety and these are subject to regular audits.
Disruption to production A major incident leads to the loss of a key production facility. This could lead to a significant loss of capacity and supply disruption to our shops with a resultant impact on revenue.	The Company has detailed disaster recovery and business continuity plans which include potential alternative sources of supply.

Principal risks and uncertainties (continued)

Food scare A major food scare beyond the control of the Company could lead to a disruption in ingredient supply or a general consumer boycott of some products.	We constantly monitor national and worldwide situations. We also work closely with government and other UK agencies.
Disruption to external supply chain Dependencies on key suppliers could lead to a situation where we are unable to maintain production.	We aim to ensure we have several sources of supply but where this is not achieved we have an actionable alternative supply strategy.
Reputation Risk If we don't meet high product production, safety, social, environmental and ethical standards in all of our operations there is a risk that our brand reputation could be damaged.	Our Operating Board, Risk Committee and Social Responsibility Steering Group regularly review and monitor our operations, identifying potentially brand - damaging risks and developing mitigation plans. All of our products are subjected to rigorous quality checks and audit. We also have in place a Crisis Management process for dealing with incidents in an appropriate and timely manner, and we retain public relations consultants to advise and assist with any issues which are being debated in public.

Regulatory risks

Risks and their impact	**Mitigating actions and controls**
Health and safety A health and safety accident or incident could lead to serious illness, injury or even loss of life for one or more of the Company's employees or customers.	The Company has functioning health and safety policies and procedures throughout the business. The operation of these is subject to both internal and external audit.
Legal Adverse regulatory risk including tax, planning, environmental, employment, and food safety laws can increase the cost base and reduce flexibility.	In addition to taking advice where it is considered appropriate, the Company monitors new legislative developments through its membership of the CBI and British Retail Consortium, such that it can lobby Government where appropriate and plan to give effect to new laws as and when they are adopted.

Financial risks

Risks and their impact	Mitigating actions and controls
Liquidity The Company operates with net current liabilities and is reliant on its cash sales to meet short term payment requirements.	In the event of a significant business interruption the Company would draw on cash and borrowing facilities to meet working capital requirements. This would include deferring capital expenditure in order to maximise cashflow.
Pension scheme The Company has a potential liability under its defined benefit pension scheme. The funding level of the scheme is sensitive to the risk of changes in key assumptions such as life expectancy, price inflation and asset returns. Changes in these assumptions can lead to volatility in the liability (or surplus) recognised on the balance sheet.	The scheme is closed to new members and to future accrual of benefits. The Company works closely with the Trustee of the scheme to manage its long term funding requirements.
Price inflation Significant changes in the costs of raw materials, wages overheads and utilities could create volatility in the Company's short term financial performance.	To mitigate this risk agreements with suppliers fix the price of key input costs in the short term. This reduces volatility and allows the Company to plan its costs with greater certainty.

Risk management

The directors regularly review the risks to which the Company is exposed, as well as the operation and effectiveness of the system of internal controls. This is an ongoing process which involves the identification, evaluation and management of the significant risks faced by the Company. Key elements of the internal control system, which have been in place during the whole of the year under review and up to the date of approval of this annual report and accounts, are:

Board of Directors

The Board takes a proactive approach to the management of all forms of risk, and views risk management as a vital constituent of its role. At each Board meeting, the effectiveness of the controls relating to the most significant risks (i.e. those which may restrict the Company's ability to meet its objectives) are monitored and reviewed and consideration is given as to whether any new material risks have emerged. The Audit Committee, on behalf of the Board, conducts a formal review of risk management procedures and reports its findings to the Board. Remedial action is determined where appropriate. For some key risks, where it is felt necessary, specialist advice is sought from external agencies and professional advisers. The Board also reviews, at least annually, the major risks facing the business and the level and scope of insurance cover maintained within the business. The Board receives reports from management on significant changes in the business and external environment which might affect the risk profile. It has also set in place a system of regular hierarchical reporting which provides for relevant details and assurances on the assessment and control of risks to be given to it.

Operating Board

The Operating Board, answerable directly to the Chief Executive, is responsible for implementing decisions of the Board and providing protection against the major risks by various techniques, including strategic planning, monitoring, supervision and training.

The Operating Board is made up of the following functional directors: Finance, Retail, Trading and Marketing, Supply Chain, People, and Corporate Affairs. It meets monthly to review financial and other business performance, as well as to develop, monitor and implement the strategies as set by the Board. Although the Operating Board is not a formal committee of the Board, it does have its own terms of reference which are reviewed by the Board from time to time.

Risk Committee

The Risk Committee is a management committee chaired by the Company Secretary and General Counsel. The Risk Committee consists of the Chief Executive, all members of the Operating Board, and appropriate heads of certain management functions within the business. It has responsibility for analysing, assessing, measuring and understanding the Company's risk environment, as well as devising a sound risk management strategy for review and approval by the Board. The Risk Committee reports its findings and important changes to the Board through personal presentation, narrative reports and key performance indicators (internal and external to the organisation) and through the Audit Committee. The risks are assessed on a regular basis across all functional areas but, in particular, the areas of food safety, health and safety, the competitive environment, information flow, asset protection and regulatory requirements.

Whistle Blowing

The Company has "whistle blowing" procedures in place, which enable employees to bring matters to the attention of the senior management and for the confidential, proportionate and independent consideration and follow-up of any matter so raised. The "whistle blowing" procedures are reviewed regularly by the Audit Committee, and the Chairman of the Audit Committee is the first line recipient of any matters that are raised through this policy. There were no matters reported through the policy during the year. Following the implementation of the Bribery Act in July 2011, a new Anti-Bribery and Corruption Policy was introduced. Subsequently a Business Conduct Policy with an associated updated Gifts, Tips and Hospitality Policy has been issued and the final stage will include a review of the Whistle Blowing Policy.

Internal Audit

The function continues to review the performance of shops, bakeries and central functions across a range of financial and non-financial requirements, reporting findings to senior management and direct to the Audit Committee. The Internal Audit Manager reports to the Company Secretary & General Counsel, to improve functional independence, and has a standing invitation to attend all Audit Committee meetings, not only that part relating to the presentation of relevant audit reports. The Internal Audit team has authority to access all areas of the business, senior management, and the Chairman of the Audit Committee as is seen fit. In 2012 the Internal Audit team will be provided with further resource to increase its effectiveness.