GREGGS The home of fresh baking™

18 March 2010

PRELIMINARY RESULTS FOR THE 53 WEEKS ENDED 2 JANUARY 2010

Greggs is the leading bakery retailer in the UK, with over 1,400 retail outlets throughout the country, serving freshly baked products to a million customers each day

A YEAR OF SIGNIFICANT PROGRESS

- Pre-tax profit up 8.0% to £48.8m (2008*: £45.2m)
- Sales up 4.8% to £658m: like-for-like sales up 0.8%
- Diluted earnings per share up 11.1% to 34.0p (2008*: 30.6p)
- Dividend per share up 11.4% to 16.6p: 25th consecutive year of dividend growth
- Completed programme to create a simpler and more focused business
- Created single brand and harmonised product ranges across UK
- Beginning programme of accelerated expansion: 50 – 60 net new shops in 2010

"We have achieved our key objectives despite the pressures of a harsh recession, and delivered a record underlying operating profit whilst completing a major programme of reorganisation to create the right structure for future growth.

"Given the uncertain outlook for consumer spending in the current year, we considered it sensible to plan for like-for-like sales growth to be marginally positive, and to manage our costs so that they remain consistent with this challenging trading environment. The current outlook for ingredient costs is reasonably benign, and we expect further cost benefits from the simplification of the business completed during 2009. In the ten weeks to 13 March 2010 total sales have increased by 2.8 per cent and like-for-like sales by 0.8 per cent.

"We look forward to bringing the unique Greggs combination of freshness, quality, taste and value to many more consumers as our expansion programme gains pace, and believe that we are well placed to achieve a year of further progress in 2010."

- Derek Netherton, Chairman

* 2008 figures exclude exceptional items

ENQUIRIES:

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

CHAIRMAN'S STATEMENT

I am pleased to report a year of significant progress, in which we have achieved our key objectives despite the pressures of a harsh recession. We have delivered a record underlying operating profit whilst completing a major programme of reorganisation to create the right structure for future growth. Greggs enters the expansion phase of our strategy with strong finances and a clear vision for the future.

Results

Total Group sales for the 53 weeks ended 2 January 2010 increased by 4.8 per cent to £658 million (2008: £628 million), including a 1.5 per cent contribution from the 53rd week. Like-for-like sales increased by 0.8 per cent.

Operating profit grew by 9.3 per cent to £48.4 million (2008: £44.3 million excluding exceptional items). Operating margin on this basis was 7.4 per cent (2008: 7.1 per cent). Net finance income was £0.3 million (2008: £0.9 million), reflecting low market interest rates.

Pre-tax profit was £48.8 million, an increase of 8.0 per cent on the 2008 profit of £45.2 million (excluding a net exceptional credit of £4.3 million relating to one-off property gains, restructuring costs and an exceptional pension credit). Including the net exceptional credit last year, pre-tax profit in 2008 was £49.5 million.

The Group tax charge for the year was 29.5 per cent (2008: 31.1 per cent), reflecting a reduction in the corporation tax rate and the favourable settlement of prior year claims. Diluted earnings per share were 34.0 pence (2008: 30.6 pence excluding the net exceptional credit), an increase of 11.1 per cent. Including the net exceptional credit last year, diluted earnings per share in 2008 were 33.5 pence.

Dividend

The Board recommends an increased final dividend of 11.4 pence per share (2008: 10.0 pence). Together with the interim dividend of 5.2 pence (2008: 4.9 pence) paid in October 2009, this makes a total for the year of 16.6 pence (2008: 14.9 pence), an increase of 11.4 per cent. This is covered 2.0 times by diluted earnings per share.

Subject to the approval of the Annual General Meeting the final dividend will be paid on 21 May 2010 to shareholders on the register on 23 April 2010.

This is the 25th consecutive year of dividend growth since Greggs floated on the stock market in 1984; a record that few companies can match. 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.

Business highlights

Key achievements during a year of major change included the completion of our programme to make the business more centrally driven, reorganising from 11 bakery divisions to seven retail regions and strengthening our central capabilities in a number of key areas, including the creation of a new Trading function.

We harmonised our product ranges across the country; removed all artificial colours and HVOs (hydrogenated vegetable oils) and trans fats from our own products, and provided consumers with nutritional information on our core ranges.

We rebranded almost two thirds of our Bakers Oven shops to create a single Greggs brand throughout the UK and withdrew from our small, loss-making business in Belgium.

This would have constituted a very full year of activity under any conditions; it has been a remarkable accomplishment whilst also dealing with the effects of the recession and keeping the performance of the business on track. Our Chief Executive Ken McMeikan comments on the business performance and our strategy in more detail in his report.

<u>The Board</u>

Iain Ferguson CBE (54) joined the Board as an additional Non-Executive Director on 31 March 2009. Iain was Chief Executive of Tate & Lyle PLC from 2003 – 2009. He is a non-executive director of Balfour Beatty and The Davis Service Group, a member of the PricewaterhouseCoopers (UK) Advisory Board, currently Honorary Vice-President of the British Nutrition Foundation and a member of Defra's Council of Food Policy Advisers. His extensive knowledge and experience of the food industry, particularly in manufacturing, have made him a most valuable addition to our Board.

In 2009 Sir Michael Darrington retired from the Board at the Annual General Meeting after 26 years of distinguished service. Mike was also a tremendous support to Ken McMeikan when he joined as Chief Executive, ensuring a smooth and effective handover, and I would like to wish him a long and very happy retirement.

<u>People</u>

Our people, and the pride and pleasure they clearly take in their work, are a key point of difference for Greggs. My colleagues and I have huge admiration for the way in which they have continued to provide cheerful and effective service to our customers while coping with the pressures of the general economic downturn and the implementation of significant changes across our business.

On behalf of the Board, I would like to thank every one of them for their contribution to another successful year.

<u>Greggs in the community</u>

In February 2010, Greggs plc was awarded the Honorary Freedom of the City of Newcastle upon Tyne in recognition of our contribution to the North East economy and our charitable work in local communities over the last 20 years. We are most grateful to the City Council for bestowing this rare honour, which particularly reflects the consistent determination of Ian Gregg and Sir Michael Darrington to build a business with sound values and a real commitment to supporting the communities in which we operate. I am delighted that our Chief Executive Ken McMeikan, and indeed the whole Board, shows a genuine passion to continue this tradition.

Prospects

The forthcoming election, and concerns about job security and possible tax rises, only makes for an uncertain outlook for consumer spending in the current year. Greggs' reputation for outstanding value and great quality will remain an important asset under these conditions. In this context we have considered it sensible to plan for like-for-like sales growth to be marginally positive this year and to manage our costs so that they remain consistent with this challenging trading environment. The current outlook for ingredient costs is reasonably benign and we expect further cost benefits from the simplification of the business completed during 2009. In the ten weeks to 13 March 2010 total sales have increased by 2.8 per cent and like-for-like sales by 0.8 per cent.

Last year's major changes have given us the right platform to accelerate the rate of both new shop openings and refurbishments in the current year, supported by our recently announced investment plans to increase the efficiency and capacity of our bakeries. We have also begun a major new marketing campaign designed to increase consumer awareness of Greggs' bakery heritage and of our core proposition as "The home of fresh baking". Throughout the business, we remain focused on raising our standards ever higher, whether in quality, efficiency or customer service.

We look forward to bringing the unique Greggs combination of freshness, quality, taste and value to many more consumers as our expansion programme gains pace, and believe that we are well placed to achieve a year of further progress in 2010.

Derek Netherton
Chairman
18 March 2010

CHIEF EXECUTIVE'S REPORT

I am delighted that the significant changes we introduced throughout 2009 have put us in excellent shape to make Greggs accessible to even more consumers through a faster programme of shop openings. In the coming year we will be doubling the number of shops we refurbish and also undertaking the previously announced investment in our supply chain to maximise the many opportunities we have identified for expansion across the UK.

Trading performance

We stated in the last annual report that, in the light of the general economic climate, we had budgeted for marginally positive like-for-like sales during 2009, and the final outturn was very much as we had anticipated. In the first 26 weeks like-for-like sales increased by 1.5 per cent and were flat during the second half, giving an increase of 0.8 per cent over the year as a whole. An important factor in the slowing like-for-like sales trend, seen across the food retailing industry, was a reduction in selling price inflation year-on-year as input costs began to stabilise following the major increases in ingredient and energy prices during 2008.

Our operating margin improved to 7.4 per cent (2008: 7.1 per cent) reflecting the initial benefits of centralisation, a reduction in waste and sensible control of labour costs in a difficult trading environment.

Preparing for accelerated growth

During the year we implemented considerable changes which have made the business simpler and more efficient to run. We are already seeing benefits from the changes we have made to our operating structure and the harmonisation of our product range. Of fundamental importance was the creation of **a centrally run business** and the significance of these changes should not be underestimated. We achieved this by:

- **reorganising** our previous 11 bakery divisions into seven new retail regions;
- organising our 10 bakeries, 2 distribution centres, transport teams and central savoury production facility into a single **Supply Chain Function** to concentrate on supporting the planned growth in the business whilst delivering significant efficiency improvements;
- strengthening our **Central Support** teams to handle more of our accounting, administration and IT support; and
- creating a **Trading** function under a newly appointed Group Trading Director to focus on range, new product development, promotions, pricing, sourcing and margin.

All of this will free up our **Retail** teams to concentrate on delivering excellent service and raising standards still further in our shops. They will also be working with our expanded **Property** team to open more new shops and double the number of refits we undertake.

We harmonised 80 per cent of our product range throughout the country, while fulfilling our commitments to remove all artificial colours, HVOs (hydrogenated vegetable oils and trans fats from the products we make ourselves. By harmonising our range, we have been able to provide customers with **nutritional information** in store on our core range of sandwiches, savouries and drinks.

We also **created a single brand** throughout the UK by converting 60 per cent of our 164 Bakers Oven shops to the Greggs fascia, with the remainder scheduled for completion during 2010.

Our customers

Greggs serves a million customers every day. In a recessionary climate, with particular uncertainty caused by fears of job losses and tax rises, our customers naturally look to make their money go as far as possible. We have maintained our focus on delivering the outstanding value for which Greggs has long been renowned whilst not compromising on the quality of our products. This has undoubtedly contributed to our ability to sustain like-for-like sales growth throughout the recession.

We have also listened and responded to our customers by increasing the pace of our product innovation and offering even greater choice of range. In addition we have also launched a much wider range of sandwiches without mayonnaise, with a third of our range now 'mayo free'.

Our new marketing campaign, launched in February 2010, promotes Greggs as "The home of fresh baking". This is very much a return to our roots and reiterates what has always made Greggs special: our people and our products, who together fill the starring roles in our new generation of TV commercials. By re-emphasising the freshness and quality of our bread, rolls, savouries, sandwiches and cakes, we aim to extend awareness of our key proposition as the nation's favourite retail baker.

Being a baker as well as a retailer gives Greggs a real competitive advantage and our aim is to communicate these key messages to an even wider audience who may not know what makes Greggs so special.

Our products

80 per cent of our product range is now harmonised across our 1,400-plus shops. Critically though, the remaining 20 per cent of the range comprises regional and local specialities, which our customers love and expect us to continue making for them

We increased the amount of new product development, launching a total of 22 new products during the year, compared with 9 in 2008.

Following a successful trial in the North West, our breakfast offer is now available across the whole of the UK comprising bacon or sausage in a fresh, Greggs-baked roll. We believe that this presents a good opportunity for sales growth in our quieter early morning period.

Our shops

Last year we opened 49 new shops and closed 39, making a net addition of 10 new shops and giving us a total of 1,419 at the year-end. The rate of shop closures was higher than usual as a result of the sale of our 10 shops in Belgium and the closure of 10 Bakers Oven shops as part of our restructuring to a single brand. We also maintained a firm approach to lease renewals, which we believe makes sound business sense in the current retail and property climate.

We are planning to open a net 50 – 60 new shops during the current year, with around two thirds of these openings due to take place during the second half. The shop opening programme is proceeding at a sensible pace, balanced by our desire to only open in optimum locations. There are positive signs of increasing realism about the value of leases, though landlords continue to prefer to offer incentives to new tenants rather than to improve their headline terms.

Given the increasing proportion of empty retail space on the high street, we continue to argue that the existence of upward-only rent reviews imposes an inappropriate pressure on retailers. In rent reviews over the next 12 - 18 months, we expect to see many rents frozen when they would have fallen in an open market. We continue to urge the Government to consider the enlightened example of the Irish government in abolishing upward-only rent reviews.

We have identified opportunities to open new shops right across the UK, from the south west of England to the north east of Scotland, making Greggs accessible to the more than 50 per cent of the UK population who currently do not have a Greggs shop near to them. In total, we see scope for more than 600 new shops, and currently expect to increase the pace of net new openings from 50 – 60 in the current year to 70-plus from 2011.

As part of this expansion we will continue to diversify our estate by opening more shops in places where customers work and travel, as well as in traditional high street and suburban locations. Almost 30 per cent of our 49 new shops in 2009 were in non-traditional locations, such as industrial estates, business parks, hospitals, universities, garage forecourts, airports and bus stations. We expect this proportion to increase to around 50 per cent of new shops as our opening programme gathers pace in future years.

During the year we trialled three new concept shops in the south of England. Key features of these shops are that they provide more comfortable browsing of our products, more of which are available for self-selection rather than behind counters in a traditional Greggs. Wherever possible they also make more space available to our customers and provide some seating. The results have been encouraging, with sales increasing as customers get to see more of our range. It is also very pleasing that customers rate us even higher for value in these concept shops. This is extremely important to us as exceptional value has always been a great strength of the Greggs offer. The learning from these trials will be progressively applied to a further 24 shops in London during the year.

During 2010 we plan to double the overall number of shop refurbishments with 120 refits throughout the country. This acceleration has been made possible by much hard work to identify and refine a cost-effective refit formula that will allow us to make our shops better for our customers and simpler for our staff, but at a lower refit cost per shop than in the past.

Our supply chain

During 2009 we undertook a fundamental review of our supply chain to establish how we could achieve the optimal production and distribution network for our planned growth to more than 2,000 shops in the UK. We re-evaluated the costs and performance of our integrated bakery and logistics model on a number of different bases, including comparison with outsourced alternatives, and concluded that continuing to make and bake our own products contributes strongly to our profits and gives us a distinct competitive advantage. The review also highlighted the potential for us to supply substantially more shops through our existing bakeries, thus achieving significant efficiency improvements.

As previously announced, our expansion plans for the next five years require an increase in investment in our supply chain to enable us to make Greggs more accessible to consumers across the UK. This capital expenditure will be funded from our strong cash flow and will begin delivering benefits from 2011, ultimately delivering efficiency benefits to the bottom line of at least £10 million per annum by 2014. Our programme of renewing our older bakeries to improve quality, efficiency and their capacity for growth will begin in the second half of this year when we start the building of new bakeries in Newcastle and Penrith. We are also planning for a new bakery in the south of England and expect to have secured a site by the end of the year. Further investment to extend our existing bakeries in Glasgow, Leeds and Birmingham, and to replace our bakery in Twickenham, is planned for 2011 – 2013.

Capital expenditure

Our total capital expenditure in 2009 was £30.3 million (2008: £33.3 million net of capital grant), £3 million below our original budget as we deferred some investment, mainly in our bakeries, until we had completed our supply chain review. In the current year we are budgeting capital expenditure of £45 – 50 million as we double our rate of new shop openings and refits, and begin the first phase of investment in our bakeries to support our plans for shop growth.

Cash flow and balance sheet

The Group remains strongly cash generative and we ended the year with net cash and cash equivalents of £34.6 million (2008: £2.1 million) on the balance sheet. This puts us in an excellent position to fund increasing investment as we enter the expansion phase of our strategy, and to take advantage of other opportunities which may arise to add value for our shareholders.

As the Chairman has stated, we are committed to a progressive dividend policy. In addition, when our plans indicate that we are holding surplus cash, we look to return this to shareholders. Having examined our current circumstances we believe that a cash return up to £15 million is appropriate and we will progress this at a sensible pace using our share buyback authority as we have done in the past.

Corporate Social Responsibility

Our Food. We have eliminated all artificial colours and all HVOs (hydrogenated vegetable oils) and trans fats from our own products. We have already been removing artificial flavours from our products during 2009 and expect to complete this by the middle of 2010.

I am pleased that, as we previously committed, we now have nutritional information about our products available in all of our shops in order to make it easy for customers to make informed dietary choices. This is now available for our national range of sandwiches, savouries and drinks, and will be extended to our sweet products and bread and rolls during 2010.

The community. Even in a severe recession, Greggs' customers have again proved that they have hearts of gold and helped us to raise £739,000 for the BBC Children in Need appeal during 2009. This was more than double our contribution for 2008 and means that we have raised a total of £1.4 million during the four years of our involvement – a fantastic achievement. Our customers again amazed us with their generosity when they asked us to provide collection points in our shops for the Haiti earthquake appeal; their donations, combined with a £25,000 donation from Greggs, generated a total contribution of £186,000.

I am delighted with the continued good work of the Greggs Foundation and the difference it makes to lives across the UK. We have continued to make substantial contributions to the Foundation which supports a wide range of excellent causes through grants to charitable and community organisations in the areas where we operate.

We are very proud to continue supporting the Greggs Breakfast Clubs in primary schools in disadvantaged areas, where we know that they make a huge contribution to children's attention and learning. I am also very pleased to report that we have been successful in building partnerships with other organisations to help us to open more breakfast clubs. We have also supported the ExpoChef roadshow to explain the importance of healthy cooking and eating to children and their parents in schools.

The environment. Last year we achieved an 18 per cent reduction in the amount of food waste being sent to landfill, and in 2010 we are setting ourselves a range of stretching environmental targets, including a 25 per cent reduction per shop in our carbon emissions by 2015. We have introduced reusable bags for sale in our shops and the profits from these bags will be dedicated to providing grants for environmental projects through the Greggs Foundation.

In all areas of Corporate Social Responsibility I am hugely impressed by our people's determination to apply Greggs' values and to make a real difference. I am grateful to all of them for the phenomenal enthusiasm they have shown in helping us to achieve so much during 2009.

These and other issues will be covered in greater depth in our Corporate Social Responsibility Report in the annual report.

Our people

In the face of the worst recession for many years our people have displayed quite extraordinary determination and commitment, not only to deliver continued sales growth, but also to implement the many changes in the structure of the business and in our ways of working which have established the platform for our next phase of growth. It is a great illustration of the dedication of our staff that only 15 of our 1,400-plus shops were closed for any length of time during the severe blizzards which swept the country in January.

Our people have done a truly fantastic job in putting us in great shape for the coming year and I am hugely grateful to them all. I am also delighted that they will share in our success through Greggs' profit sharing scheme. We look forward to creating job opportunities for a further 6,000 people through our future plans to grow our shop numbers to more than 2,000 in the UK.

The future

Greggs is a business with a proud history, strong values and a clear vision for the future: "to be the number one for sandwiches and savouries, from a united team who are passionate about being the best in bakery". We have a great reputation that commands huge loyalty among our existing customers, and the spirit of our people is absolutely second to none. All this gives me a high level of confidence in our ability to deliver our vision, as we increase awareness of what we have to offer as "The home of fresh baking".

We aim to meet consumer demand for our great taste, freshness, quality and value by increasing access to Greggs, at a faster rate, in new areas throughout the UK. We will also make our products even more accessible as we further improve the shopping experience in our existing shops through our accelerated and cost-effective refurbishment programme.

The changes of the last year have put us in a strong position to deliver the significant growth opportunities that we have identified, and to fulfil our vision of being the best in bakery. In doing so we will realise further benefits for our staff, customers, shareholders and local communities.

Kennedy McMeikan
Chief Executive
18 March 2010

Greggs plc
Consolidated income statement
for the 53 weeks ended 2 January 2010 (2008: 52 weeks ended 27 December 2008)

	2009	2008 Restated	2008	2008 Restated
	£'000	£'000	£'000	£'000
	Total	Excluding exceptional items	Exceptional items	Total
Revenue	**658,186**	628,198	-	628,198
Cost of sales	**(252,284)**	(241,939)	-	(241,939)
Gross profit	**405,902**	386,259	-	386,259
Distribution and selling costs	**(321,686)**	(306,450)	(3,285)	(309,735)
Administrative expenses	**(35,783)**	(35,514)	(430)	(35,944)
Other income	**-**	-	8,033	8,033
Operating profit	**48,433**	44,295	4,318	48,613
Finance income	**346**	857	-	857
Profit before tax	**48,779**	45,152	4,318	49,470
Income tax	**(14,405)**	(14,033)	(1,342)	(15,375)
Profit for the financial year attributable to equity holders of the parent	**34,374**	31,119	2,976	34,095
	=======	=======	=======	=======
Basic earnings per share *	**34.1p**			33.6p
Diluted earnings per share *	**34.0p**			33.5p
Non GAAP measures (see note 4)				
Adjusted basic earnings per share	**34.1p**			30.7p
Adjusted diluted earnings per share	**34.0p**			30.6p

* Prior periods adjusted to take account of the ten-for-one share split which took place during 2009.

A minor presentational change has been made to the 2008 income statement reallocating £4.9m of salary and associated costs from administrative expenses to cost of sales and distribution. There is no impact on operating profit or the financial position as reported in 2008.

There were no exceptional items in 2009.

Consolidated statement of comprehensive income
for the 53 weeks ended 2 January 2010 (2008: 52 weeks ended 27 December 2008)

	Group	
	2009	2008
	£'000	£'000
Profit for the financial year	**34,374**	34,095
Other comprehensive income		
Actuarial losses on defined benefit pension plans	**(6,920)**	(12,614)
Tax on items taken directly to equity	**1,938**	3,532
Other comprehensive income for the financial year, net of income tax	**(4,982)**	(9,082)
Total comprehensive income for the financial year	**29,392**	25,013

Greggs plc
Balance sheet at 2 January 2010 (2008: 27 December 2008)

	Group	
	2009	2008
	£'000	£'000
ASSETS		
Non-current assets		
Intangible assets	**579**	686
Property, plant and equipment	**211,155**	210,455
	211,734	211,141
Current assets		
Inventories	**11,886**	12,152
Trade and other receivables	**21,206**	22,698
Cash and cash equivalents	**34,619**	4,433
	67,711	39,283
Total assets	**279,445**	250,424
LIABILITIES		
Current liabilities		
Trade and other payables	**(71,738)**	(62,761)
Current tax liabilities	**(8,857)**	(8,337)
Provisions	**(857)**	(2,843)
	(81,452)	(73,941)
Non-current liabilities		
Defined benefit pension liability	**(12,332)**	(5,733)
Other payables	**(8,830)**	(8,221)
Deferred tax liability	**(9,298)**	(12,154)
Long term provisions	**(3,296)**	(2,428)
	(33,756)	(28,536)
Total liabilities	**(115,208)**	(102,477)
Net assets	**164,237**	147,947
	=======	=======
EQUITY		
Capital and reserves		
Issued capital	**2,080**	2,080
Share premium account	**13,533**	13,533
Capital redemption reserve	**359**	359
Retained earnings	**148,265**	131,975
Total equity attributable to equity holders of the parent	**164,237**	147,947
	=======	=======

Greggs plc
Consolidated statement of changes in equity
for the 53 weeks ended 2 January 2010 (2008: 52 weeks ended 27 December 2008)

52 weeks ended 27 December 2008

	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 2007	2,127	13,533	312	129,622	145,594
Total comprehensive income for the year					
Profit for the financial year	-	-	-	34,095	34,095
Other comprehensive income	-	-	-	(9,082)	(9,082)
Total comprehensive income for the year	-	-	-	25,013	25,013
Transactions with owners, recorded directly in equity					
Shares purchased and cancelled	(47)	-	47	(9,738)	(9,738)
Sale of own shares	-	-	-	698	698
Share-based payment transactions	-	-	-	1,047	1,047
Dividends to equity holders	-	-	-	(14,535)	(14,535)
Tax items taken directly to reserves	-	-	-	(132)	(132)
Total transactions with owners	(47)	-	47	(22,660)	(22,660)
Balance at 27 December 2008	2,080	13,533	359	131,975	147,947
	=======	=======	=======	=======	=======
Balance at 28 December 2008	**2,080**	**13,533**	**359**	**131,975**	**147,947**
Total comprehensive income for the year					
Profit for the financial year	**-**	**-**	**-**	**34,374**	**34,374**
Other comprehensive income	**-**	**-**	**-**	**(4,982)**	**(4,982)**
Total comprehensive income for the year	**-**	**-**	**-**	**29,392**	**29,392**
Transactions with owners, recorded directly in equity					
Sale of own shares	**-**	**-**	**-**	**1,182**	**1,182**
Share-based payment transactions	**-**	**-**	**-**	**982**	**982**
Dividends to equity holders	**-**	**-**	**-**	**(15,339)**	**(15,339)**
Tax items taken directly to reserves	**-**	**-**	**-**	**73**	**73**
Total transactions with owners	**-**	**-**	**-**	**(13,102)**	**(13,102)**
Balance at 2 January 2010	**2,080**	**13,533**	**359**	**148,265**	**164,237**
	=======	**=======**	**=======**	**=======**	**=======**

Greggs plc
Statements of cashflows
for the 53 weeks ended 2 January 2010 (2008: 52 weeks ended 27 December 2008)

	2009 £'000	2008 £'000
Operating activities		
Cash generated from operations (see below)	**87,944**	59,163
Income tax paid	**(14,731)**	(14,807)
Net cash inflow from operating activities	**73,213**	44,356
Investing activities		
Acquisition of property, plant and equipment	**(30,296)**	(40,758)
Acquisition of intangible assets	**-**	(686)
Proceeds from sale of property, plant and equipment	**2,368**	2,200
Interest received	**346**	857
Net cash outflow from investing activities	**(27,582)**	(38,387)
Financing activities		
Sale of own shares	**1,182**	698
Shares purchased and cancelled	**-**	(9,738)
Dividends paid	**(15,339)**	(14,535)
Government grants received	**1,087**	8,083
Net cash outflow from financing activities	**(13,070)**	(15,492)
Net increase / (decrease) in cash and cash equivalents	**32,561**	(9,523)
Cash and cash equivalents at the start of the year	**2,058**	11,581
Cash and cash equivalents at the end of the year	**34,619**	2,058
	=======	=======
Included in cash and cash equivalents per the balance sheet	**34,619**	4,433
Included in current liabilities	–	(2,375)
Cash and cash equivalents at the end of the year	**34,619**	2,058
	=======	=======

Cash flow statement – cash generated from operations

	2009 £'000	2008 £'000
Profit for the financial year	**34,374**	34,095
Amortisation	**107**	-
Depreciation	**27,218**	26,010
Loss / (profit) on sale of property, plant and equipment	**10**	(771)
Release of government grants	**(228)**	(84)
Gain on curtailment of defined benefit pension scheme	**-**	(6,969)
Share based payment expenses	**982**	1,047
Finance income	**(346)**	(857)
Unrealised exchange gain relating to property, plant and equipment	**-**	(353)
Income tax expense	**14,405**	15,375
Decrease / (increase) in inventories	**266**	(2,244)
Decrease / (increase) in trade receivables	**1,492**	(2,764)
Increase / (decrease) in trade payables	**11,103**	(8,001)
Decrease in pension liability	**(321)**	(592)
(Decrease) / increase in provisions	**(1,118)**	5,271
Cash from operating activities	**87,944**	59,163
	=======	=======

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 below does not constitute the Company's statutory accounts for the years ended 2 January 2010 or 27 December 2008. The financial information for 2008 is derived from the statutory accounts for 2008 which have been delivered to the registrar of companies, and those for 2009 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 237 (2) or (3) of the Companies Act 1985 in respect of the accounts for 2008 nor a statement under section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for 2009.

The preliminary announcement has been prepared using the accounting policies published in the Group's accounts for the year ended 28 December 2008, 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:

Amendments to IAS 1 *Presentation of Financial Statements*
Improvements to IFRSs (2008)
Amendments to IFRS 2 *Share-based payments: Vesting Conditions and Cancellations*
IFRS 8 *Operating Segments*
Amendment to IAS 23 *Borrowing Costs*
Amendments to IFRS 7 *Improving Disclosures about Financial Instruments*
IFRIC 14 IAS 19 *The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

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 introduction of IFRS 8 has necessitated a reassessment of the reportable segments within the Group and the nature of related disclosures. The Board is considered to be the "chief operating decision maker" of the Group in the context of the IFRS 8 definition.

Throughout 2008 and 2009 the Group has progressively been reorganised into a centrally managed business with an integrated supply chain. During 2009 the Group's 11 operating divisions were reorganised into seven retail regions, each reporting to the Group Retail Director. These retail regions, and their predecessor divisions, 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 but these are immaterial in a group context.

Geographical areas - in early 2009 we exited our Belgian stores, which were insignificant in a group context. All other 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. Taxation

	2009	2008
	£'000	£'000
Current tax expense		
Current year	**16,410**	14,735
Adjustment for prior years	**(1,157)**	(298)
	15,253	14,437
Deferred tax expense		
Origination and reversal of temporary differences	**(1,299)**	866
Adjustment for prior years	**451**	72
	(848)	938
Total income tax expense in income statement	**14,405**	15,375
	=======	=======

4. Earnings per share

Basic earnings per share

Basic earnings per share for the year ended 2 January 2010 is calculated by dividing profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year ended 2 January 2010 as calculated below.

Diluted earnings per share

Diluted earnings per share for the year ended 2 January 2010 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 2 January 2010 as calculated below.

Adjusted earnings per share

Basic and diluted earnings per share have been calculated for the years ended 2 January 2010 and 27 December 2008 which exclude the exceptional items. These have been calculated by dividing profit attributable to ordinary shareholders excluding the exceptional items by the relevant weighted average number of ordinary shares as calculated below.

Profit attributable to ordinary shareholders

	2009	2008	2008	2008
	Adjusted and unadjusted	Adjusted		Unadjusted
	Total	Excluding exceptional items	Exceptional items	Total
	£'000	£'000	£'000	£'000
Profit for the financial year attributable to equity holders of the parent	**34,374**	31,119	2,976	34,095
	=======	=======	=======	=======
Basic earnings per share	**34.1p**	30.7p	2.9p	33.6p
Diluted earnings per share	**34.0p**	30.6p	2.9p	33.5p

Weighted average number of ordinary shares

	2009	2008*
	Number	Number
Issued ordinary shares at start of year	**103,990,470**	106,350,910
Effect of own shares held	**(3,170,821)**	(3,363,050)
Effect of shares purchased and cancelled	**-**	(1,734,830)
Weighted average number of ordinary shares during the year	**100,819,649**	101,253,030
Effect of share options on issue	**427,864**	411,560
Weighted average number of ordinary shares (diluted) during the year	**101,247,513**	101,664,590
	=========	=========

* The figures for 2008 have been adjusted to reflect the ten for one share split which took place during 2009.

5. Dividends

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

	2009	2008
	Per share pence	Per share pence
2007 final dividend *	**-**	9.4p
2008 interim dividend *	**-**	4.9p
2008 final dividend *	**10.0p**	-
2009 interim dividend	**5.2p**	-
	15.2p	14.3p
	=======	=======

*These amounts have been restated to reflect the ten for one share split which took place during 2009.

The proposed final dividend in respect of 2009 amounts to 11.4 pence per share (£11,855,000). This proposed dividend is subject to approval at the Annual General Meeting and has not been included as a liability in these accounts.

	2009	2008
	£'000	£'000
2007 final dividend	**-**	9,565
2008 interim dividend	**-**	4,970
2008 final dividend	**10,097**	-
2009 interim dividend	**5,242**	-
	15,339	14,535
	=======	=======

6. 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.

7. Principal risks and uncertainties

The Board considers the key risks to the Group to be as follows:

Organisational

The success of the Company is dependent upon the efforts and abilities of its employees. The Company has established remuneration packages that will attract, retain and motivate individuals with appropriate skills and experience. Organisational structure is regularly reviewed and there are group-wide processes for the training and development of all employees.

External factors

Changes in the retail trading environment or in customer preferences could clearly have a significant effect on the business. The Company continually monitors market trends, the performance of its competitors and the performance of its own products and retail formats. Consumer research is carried out regularly and key market reports are monitored.

Operational

The safety of our products, employees and customers is paramount. Detailed systems are in place to ensure that we are operating safely and these systems are subject to regular audit to ensure compliance. High priority is given to implementing any resulting recommendations.

Detailed plans are in place for all our major production facilities to maintain business continuity in the event of any potentially disruptive occurrence.

Policies and Procedures

Policies and procedures, covering control issues across appropriate aspects of the business, are defined and communicated to the respective managers and staff at all levels. Adherence is monitored and reported upon.

Health and Safety

The Company is committed to improving continuously the working environment, with the objective that accidents and work related ill health should progressively be reduced. Health and Safety Officers and Occupational Nurses are appointed across the business and operational policies and procedures are subject to both internal and external audit. Targets are set and programmes are devised to implement them. This approach involves a rigorous health assessment, during which hazards are identified, risks assessed, control measures applied and improvement actions agreed to manage residual risks.

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