

DP Poland PLC

("DP Poland" or the "Company")

Interim results for the half year to 30 June 2014

Seven consecutive quarters of double digit like-for-like sales growth and proving the model with a core of consistently profitable stores. Extending sub-franchising and accelerating store roll out into new cities in 2015.

DP Poland has the exclusive right to develop, operate and to sub-franchise Domino's Pizza stores in Poland. It currently (September 2014) has 18 corporate stores operating in Warsaw and Krakow and 1 sub-franchised store operating in Warsaw.

Highlights

- Continuous double digit like-for-like growth over seven consecutive quarters
- Strong like-for-likes¹
 - Like-for-like Store EBITDA (pln) improved by 61%²
 - Like-for-like Sales (pln) up 13%
 - Like-for-like Gross Profit³ (pln) up 10%
 - Like-for-like Order Count up 11%
- Increasing number of stores EBITDA positive on a monthly basis
- All Krakow stores performing in line with management's expectations
- 1 store opened in Krakow and 2 stores closed in Warsaw, in H1. 1 store opened in Warsaw in August
- Focus on opening stores in new cities in 2015
- Continued focus on cost reduction, both central and at the store level
- Online sales channel accounts for 58% of delivery sales
- 58,672 Facebook likes as at 30 June 2014, compared to 30,426 as at 30 June 2013
- Advanced discussions to sell and sub-franchise a number of corporate stores in Warsaw
- July and August outperformed expectations with like-for-like sales +38% and +43% respectively

Peter Shaw, Chief Executive of DP Poland said:

"The seventh consecutive quarter of double digit like-for-like sales growth and more stores moving into profit further prove the model for Domino's Pizza in Poland.

We can see the beginning of that virtuous circle of growing store numbers and reducing food costs that has been central to the success model in Domino's Pizza markets around the world.

The opportunity now is to open stores in new cities and expand our sub-franchised store base, hand in hand with building brand profile, driving sales and reducing food costs."

22 September 2014

¹ Like-for-like growth in pln, matching trading periods for the same stores between 1 January and 30 June, 2013 and 1 January and 30 June, 2014

² (£103,040) H1 2014 on (£261,199) H1 2013 at a constant exchange rate of pln5.1116:£1

³ Sales minus food costs

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Chief Executive's Statement

I am pleased to present our results for the first six months of 2014.

Improving store performance

We have now seen our seventh consecutive quarter of double digit like-for-like⁴ sales growth. Alongside impressive growth in sales, store EBITDA continues to improve significantly, with an average of 5-6 stores EBITDA positive each month in H1 2014; 8 stores were EBITDA positive in 3 of the 6 months. Our 5 top stores in Warsaw were each EBITDA positive for the period January – June, proving the model in our core Warsaw estate and giving us confidence to commit to an accelerated store roll-out in 2015.

Sales, order count and gross profit grew significantly in H1 2014 with like-for-like sales growth of 13%, like-for-like order count up 11% and like-for-like gross profit growth of 10%. Like-for-like store EBITDA improved by 61% in 2014 at (£103,040) compared with (£261,199) in H1 2013, at a constant exchange rate⁵.

Total Store EBITDA for H1 2014 was (£191,294) with 19 corporate stores open during the period⁶. By comparison, for the six months ended 30 June 2013 Total Store EBITDA was (£274,460) with 15 corporate stores open during the period⁷, at a constant exchange rate⁵. On this basis Total Store EBITDA improved by 30%.

Store development

In May we opened our 3rd store in Krakow and we are negotiating a 4th Krakow site to open in 2015.

In June we merged 4 of our Warsaw store delivery areas into 2, closing 2 poorly performing stores. The 2 stores with expanded delivery areas are seeing the immediate benefit of acquiring the customers and target markets of the 2 closed stores. Occasional store closures are a reality in any retail business and, while painful, we believe we understand the specific problems at each location and have learnt from them for future site selection. Total Store EBITDA will benefit from the closure of these 2 loss making stores as losses are further reduced. The 2 closed stores have had their movable equipment reallocated to new store fit-outs, which will significantly reduce the capital investment required for the next 2 store openings.

In August we opened 1 store in Warsaw in the northern part of the city.

We believe that we have proven the model in a core number of stores with sustained and growing profitability. We are accordingly identifying sites for new stores in Warsaw, Krakow and new cities, both corporate and sub-franchised, while being mindful of the logistical costs in servicing new regions.

Sub-franchising

The performance of our first sub-franchisee continues to support the case for sub-franchising; he reported 9 profitable months out of the first 10 full months open, November 2013 to August 2014.

We are in advanced discussions to sell and sub-franchise some of our corporate stores in Warsaw. I expect to update our investors on these developments in the near future. I believe these discussions with potential sub-franchisees are a mark of the performance of our stores and the increasingly tangible opportunity for Domino's Pizza in Poland.

Results

Group income

Revenue for the 6 months ended 30 June 2014 was £1,942,024 (2013 £1,543,375), an increase of +25.8%.

⁴ Like-for-like growth in pln, matching trading periods for the same stores between 1 January and 30 June, 2013 and 1 January and 30 June, 2014

⁵ pln5.1116:£1 exchange rate for period January to June 2013

⁶ Of the 19 stores open during H1 2014, 1 was opened in May and 2 were closed in mid June

⁷ Of the 15 stores open during H1 2013, 1 was opened in late March

Group EBITDA⁸ for the same period was (1,306,474) (2013: (1,446,381)), an improvement of +9%.

Administrative expenses as defined in the Group Income Statement were marginally lower at -2.2%. The greatest proportion of these administrative expenses comprises store operating costs and the brand building fund; they also include the general and administrative costs (G&A) of running the Polish and UK operations.

Group loss before taxation, share based payments and exceptional items for the 6 months ended 30 June 2014 was £1,525,502 (2013: £1,610,204).

Basic loss per share for this period, before exceptional items was (1.74p) (2013 (1.83p))

Cash position

The cash position for the Group as of 30 June 2014 stood at £5,590,798 (31 December 2013: £ 7,297,148).

Cash consumption for the period 1 January – 30 June 2014 was £1,706,350.

Capital expenditure

We opened 1 corporate store in May 2014.

Interest received

Interest received for the 6 months ended 30 June 2014 was £21,589 (2013: £49,952).

Key performance indicators

These key performance indicators, financial and non-financial, illustrate performance at both Group and Store levels. A constant exchange rate of pln5.1116:£1 is applied for year-on-year comparison.

KPI	H1 2014⁹	H1 2013¹⁰
<i>Systems sales¹¹</i>	£1,974,448 (+33% vs 2013)	£1,486,913
<i>E-commerce sales</i>	£924,868 (+152% vs 2013)	£367,490
<i>Like-for-like store sales (pln)¹²</i>	+13%	+73% ¹³
<i>Group EBITDA before exceptional items</i>	(£1,306,474) (+10% vs 2013)	(£1,446,381)
<i>Basic loss per share (EPS) before exceptional items</i>	(1.74p)	(1.83p)
<i>Delivery sales ordered online¹⁴</i>	58%	31%
<i>Delivery orders on time¹⁵</i>	83% ¹⁶	88%
<i>New store openings</i>	1 corporate store	1 corporate store

⁸ Before exceptional items- accruals against the potential of ongoing rents of 2 closed stores

⁹ January – June 2014

¹⁰ January – June 2013

¹¹ Total sales for corporate and sub-franchised stores

¹² Like-for-like growth in pln, matching trading periods for the same stores between 1 January and 30 June, 2013 and 1 January and 30 June, 2014

¹³ In H1 2012 stores were only open 6-10 months, hence 2013 on 2012 like-for like figure was exceptionally high

¹⁴ Orders made online including website, mobile app and Pizza Portal

¹⁵ Delivered within 30 minutes of ordering.

¹⁶ While a drop, 83% is within Domino's operational standards worldwide and is a mark of a growing order count, as we balance service requirements with labour costs.

Online sales

As a proportion of delivery sales, online orders continue to exceed our expectations. With 58% of delivery sales ordered online in H1, our customers are clearly comfortable with our re-launched website and mobile app. We are continuously working on the effectiveness of the online ordering process to maximise the number of visitors who complete a transaction.

Our mobile app was downloaded 21,798 times between its launch in August 2013 and 1 September 2014. In 1 month in H1 2014 46% of all online orders came through the app, driven by an exclusive to app orders promotion.

Marketing

The decision to order delivery or takeaway pizza is usually made on impulse, our marketing and sales efforts are focused on directing that impulse decision. We used a combination of value and product promotions in the first half to attract customers and to build loyalty to the Domino's brand. These promotions are delivered through menu distribution, online and outdoor posters.

Facebook continues to be a significant shop window for us as we continuously engage our fans with product news, fun facts and Facebook specific promotions. On 30 June 2014 we had 58,672 Facebook likes, compared to 30,426 on 30 June 2013. We encourage our shareholders to take a look at our Facebook page Domino's Pizza Polska.

Improving central costs

While general and administrative (G&A) costs of running the business are still high in proportion to sales, we are seeing that proportion reduce as sales grow and the relationship between the two moves closer to the norms expected of a more mature business. Meanwhile we continually look to reduce costs and for improvements in efficiency and effectiveness of G&A functions. We have implemented a number of new initiatives this year which will have a significant positive impact on central costs in H2 2014 and thereafter.

Update on sales performance July and August 2014

The combined effect of the World Cup (12 June – 13 July) and strong promotions saw a very healthy like-for-like store performance, in June and July. Like-for-like sales in July were +38%. A strong sales performance in August saw like-for-like sales hit +43%. Total sales in August were higher than total sales in July; an encouraging result.

Outlook

As we move into the autumn 2014 I believe that we will see some significant developments in the business, through the last quarter of the year and into 2015.

Our store teams are highly motivated and have strong promotional tools to generate and sustain sales in their delivery areas. Supported by our marketing campaigns I expect sales to continue to grow significantly through the autumn and winter months.

Alongside growing sales, a key priority is to continue to grow gross profit, with a clear focus on reducing food costs, through a combination of effective buying, greater volumes delivering greater economies of scale and well managed operations at the store level. A core driver of lower food costs is higher volumes, which will ultimately be driven by a growing store estate. The other part of this equation is store operations, which I am pleased to state are increasingly efficient in terms of both labour and operational expenditure.

Now that we have more evidence that the store model is working, with a core estate of profitable stores in Warsaw, and with Krakow stores performing to expectations, we are identifying new store locations in new cities to roll out the Domino's brand.

The success of our first sub-franchisee and the potential of new sub-franchisees are I believe key to the future of this business. By proving the store model and with effective marketing online and offline, a tried and tested sales approach and a continuous focus on reducing food costs, I am confident that we will attract more to sub-franchise Domino's stores in this market in the near future.

Peter Shaw

Chief Executive

Group Income Statement
for the six months ended 30 June 2014

		<i>Pre- exceptional items</i>	<i>Exceptional items</i>	<i>Total</i>		
		<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
		6 months to	6 months to	6 months to	6 months to	Year to
		30.06.14	30.06.14	30.06.14	30.06.13	31.12.13
	Notes	£	£	£	£	£
Revenue		1,942,024	-	1,942,024	1,543,375	3,169,801
Cost of sales		(1,178,342)		(1,178,342)	(926,593)	(1,768,711)
Gross profit		763,682	-	763,682	616,782	1,401,090
Distribution costs		(191,315)	-	(191,315)	(142,604)	(507,678)
Administrative expenses - excluding depreciation, amortisation and share based payments	4	(1,878,841)	(126,055)	(2,004,896)	(1,920,559)	(3,737,702)
GROUP EBITDA		(1,306,474)	(126,055)	(1,432,529)	(1,446,381)	(2,844,290)
Finance income		21,589	-	21,589	49,952	98,327
Finance costs		-	-	-	-	-
Foreign exchange gains / (losses)		(960)	-	(960)	193	5,985
		20,629	-	20,629	50,145	104,312
Depreciation, amortisation and impairment	4	(239,657)	(194,803)	(434,460)	(213,968)	(438,041)
Loss before taxation and share based payments		(1,525,502)	(320,858)	(1,846,360)	(1,610,204)	(3,178,019)
Share based payments		(80,731)	-	(80,731)	(79,201)	(127,893)
Loss before taxation		(1,606,233)	(320,858)	(1,927,091)	(1,689,405)	(3,305,912)
Taxation	2	-	-	-	-	-
Loss for the period		(1,606,233)	(320,858)	(1,927,091)	(1,689,405)	(3,305,912)
Loss per share						
	Basic	(1.74 p)		(2.09 p)	(1.83 p)	(3.58 p)
	Diluted	(1.74 p)		(2.09 p)	(1.83 p)	(3.58 p)

**Group Statement
of comprehensive income
for the six months ended 30 June 2014**

	<i>Unaudited</i> 6 months to 30.06.14 £	<i>Unaudited</i> 6 months to 30.06.13 £	<i>Audited</i> Year to 31.12.13 £
Loss for the period	(1,927,091)	(1,689,405)	(3,305,912)
Currency translation differences	(181,709)	(28,647)	27,620
Total comprehensive income for the period	(2,108,800)	(1,718,052)	(3,278,292)

Group Balance Sheet
at 30 June 2014

	<i>Unaudited</i> 30.06.14 £	<i>Unaudited</i> 30.06.13 £	<i>Audited</i> 31.12.13 £
Non-current assets			
Intangible assets	332,461	308,409	368,209
Property, plant and equipment	2,618,260	2,561,666	2,867,583
Deferred tax asset	83,337	85,635	86,843
Trade and other receivables	120,355	-	125,419
	3,154,413	2,955,710	3,448,054
Current assets			
Inventories	107,811	107,165	135,860
Trade and other receivables	429,219	432,920	648,433
Cash and cash equivalents	5,590,798	9,178,630	7,297,148
	6,127,828	9,718,715	8,081,441
Total assets	9,282,241	12,674,425	11,529,495
Current liabilities			
Trade and other payables	(569,934)	(492,277)	(858,895)
Provisions	(33,768)	-	-
	(603,702)	(492,277)	(858,895)
Non-current liabilities			
Provisions	(86,770)	-	-
	(86,770)	-	-
Total liabilities	(690,472)	(492,277)	(858,895)
Net assets	8,591,769	12,182,148	10,670,600
Equity			
Called up share capital	477,190	477,190	477,190
Share premium account	18,825,667	18,825,667	18,825,667
Capital reserve - own shares	(56,361)	(56,361)	(56,361)
Retained earnings	(10,254,922)	(6,789,985)	(8,357,800)
Currency translation reserve	(399,805)	(274,363)	(218,096)
Total equity	8,591,769	12,182,148	10,670,600

Group Statement of Cash Flows
for the six months ended 30 June 2014

	<i>Unaudited</i> 6 months to 30.06.14 £	<i>Unaudited</i> 6 months to 30.06.13 £	<i>Audited</i> Year to 31.12.13 £
Cash flows from operating activities			
Loss before taxation for the period	(1,927,091)	(1,689,405)	(3,305,912)
<i>Adjustments for:</i>			
Finance income	(21,589)	(49,952)	(98,327)
Finance costs	-	-	-
Depreciation and amortisation	239,657	213,968	438,041
Impairment charge	194,803	-	7,149
Share based payments expense	80,731	79,201	127,893
Operating cash flows before movement in working capital	(1,433,489)	(1,446,188)	(2,831,156)
Increase / (decrease) in inventories	22,917	(20,399)	(47,739)
Decrease in trade and other receivables	153,237	29,875	(191,706)
(Decrease) / increase in trade and other payables	(96,386)	(16,483)	144,173
Increase in provisions	120,538	-	-
Cash generated from operations	(1,233,183)	(1,453,195)	(2,926,428)
Taxation paid	-	-	-
Net cash from operating activities	(1,233,183)	(1,453,195)	(2,926,428)
Cash flows from investing activities			
Payments to acquire software	(9,405)	(3,594)	(7,475)
Payments to acquire property, plant and equipment	(439,380)	(295,789)	(543,954)
Payments to acquire intangible fixed assets	(7,900)	(16,913)	(102,739)
Lease and other deposits repaid / (advanced)	56,106	(23,878)	(35,897)
Proceeds from disposal of property plant and equipment	-	-	3,100
Share options settled in cash	(50,762)	-	-
Loan to sub-franchisee	-	-	(126,457)
Interest received	21,589	49,953	98,327
Net cash used in investing activities	(429,752)	(290,221)	(715,095)
Cash flows from financing activities			
Issue of ordinary share capital	-	-	-
Net cash from financing activities	-	-	-
Net increase / (decrease) in cash and cash equivalents	(1,662,935)	(1,743,416)	(3,641,523)
Exchange differences on cash balances	(43,415)	(7,707)	8,918
Cash and cash equivalents at beginning of period	7,297,148	10,929,753	10,929,753
Cash and cash equivalents at end of period	5,590,798	9,178,630	7,297,148

Group Statement of Changes in Equity for the six months ended 30 June 2014

	Share capital £	Share premium account £	Retained earnings £	Currency translation reserve £	Capital reserve - own shares £	Total £
At 31 December 2012	477,190	18,827,775	(5,179,781)	(245,716)	(56,361)	13,823,107
Expenses of share issue	-	(2,108)	-	-	-	(2,108)
Share based payments	-	-	79,201	-	-	79,201
Translation difference	-	-	-	(28,647)	-	(28,647)
Loss for the period	-	-	(1,689,405)	-	-	(1,689,405)
At 30 June 2013	477,190	18,825,667	(6,789,985)	(274,363)	(56,361)	12,182,148
Share based payments	-	-	48,692	-	-	48,692
Translation difference	-	-	-	56,267	-	56,267
Loss for the period	-	-	(1,616,507)	-	-	(1,616,507)
At 31 December 2013	477,190	18,825,667	(8,357,800)	(218,096)	(56,361)	10,670,600
Share based payments	-	-	80,731	-	-	80,731
Share options settled in cash	-	-	(50,762)	-	-	(50,762)
Translation difference	-	-	-	(181,709)	-	(181,709)
Loss for the period	-	-	(1,927,091)	-	-	(1,927,091)
At 30 June 2014	477,190	18,825,667	(10,254,922)	(399,805)	(56,361)	8,591,769

Notes to the Interim Financial Statements for the six months ended 30 June 2014

1 Basis of preparation

These condensed interim financial statements are unaudited and do not constitute statutory accounts within the meaning of the Companies Act 2006. These condensed interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' and were approved on behalf of the Board by the Chief Executive Officer Peter Shaw on 19 September 2014.

The accounting policies and methods of computation applied in these condensed interim financial statements are consistent with those applied in the Group's most recent annual financial statements for the year ended 31 December 2013.

The financial statements for the year ended 31 December 2013, which were prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union ('IFRS'), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, have been delivered to the Registrar of Companies. The auditors' opinion on those financial statements was unqualified and did not contain a statement made under s498(2) or (3) of the Companies Act 2006.

Copies of these condensed interim financial statements and the Group's most recent annual financial statements are available on request by writing to the Company Secretary at our registered office DP Poland plc, Thames House, Portsmouth Road, Esher, Surrey, KT10 9AD, or from our website www.dppoland.com.

2 Taxation

	<i>Unaudited</i> 6 months to 30.06.14 £	<i>Unaudited</i> 6 months to 30.06.13 £	<i>Audited</i> Year to 31.12.13 £
Current tax	-	-	-
Deferred tax credit relating to the origination and reversal of temporary differences	-	-	-
Total tax charge in income statement	-	-	-

3 Earnings per ordinary share

The loss per ordinary share has been calculated as follows:

	<i>Unaudited</i> 6 months to 30.06.14	<i>Unaudited</i> 6 months to 30.06.13	<i>Audited</i> Year to 31.12.13
Profit / (loss) after tax (£)	(1,927,091)	(1,689,405)	(3,305,912)
Weighted average number of shares in issue	92,382,142	92,382,142	92,382,142
Basic and diluted earnings per share (pence) - before exceptional items	(1.74 p)	(1.83 p)	(3.58 p)
Basic and diluted earnings per share (pence) - after exceptional items	(2.09 p)	(1.83 p)	(3.58 p)

The weighted average number of shares for the period excludes those shares in the Company held by the employee benefit trust. At 30 June 2014 the basic and diluted loss per share is the same, because the vesting of share awards would reduce the loss per share and is, therefore, anti-dilutive.

4 Exceptional items

	<i>Unaudited</i> 6 months to 30.06.14 £	<i>Unaudited</i> 6 months to 30.06.13 £	<i>Audited</i> Year to 31.12.13 £
Impairment costs	194,803	-	-
Onerous lease provision	126,055	-	-
	320,858	-	-

(a) Impairment costs

During the six months to 30 June 2014 two poorly performing company-owned stores were closed. Management carried out a review of the carrying value of the property, plant and equipment at those stores and determined that assets which could not be deployed elsewhere in the business are fully impaired and has therefore recorded an impairment charge of £194,803.

(b) Onerous lease provision

A provision of £126,055 relating to onerous leases has been recognised for the two closed stores referred to in (a) above. Management is not confident that sub-tenants will be identified who are willing to take on these properties at full rent. The provision represents management's current estimate of the shortfall of rent if the stores are sub-let. At 30 June 2014 £5,517 of the provision had been utilised leaving a balance of £120,538.

5 Principal risks and uncertainties

The principal risks and uncertainties facing the Group are disclosed in the Group's financial statements for the year ended 31 December 2013, available from www.dppoland.com and remain unchanged.