DP Poland PLC
(“DP Poland” “the Group” or the “Company”)

Interim results for the half year to 30 June 2016

Store opening momentum continues to build. Two new sub-franchisees open stores in two new cities. Corporate store performance and commissary performance continue to improve.

DP Poland, through its wholly owned subsidiary DP Polska S.A., has the exclusive right to develop, operate and sub-franchise Domino’s Pizza stores in Poland. There are currently 29 Domino’s Pizza stores in 7 Polish cities, 16 corporately managed and 13 sub-franchised.

Highlights

- 29 stores in 7 cities, to date
    - 6 new stores opened and 3 more cities came on stream January – September 2016
- 2 new sub-franchisees signed their first stores, in 2 new cities, January – September 2016
    - we now have 4 sub-franchise partners with 13 stores between them
- Pipeline of further store openings for H2 2016, 1 is ready to open and 3 are under construction
- 15 consecutive quarters of double digit like-for-like System Sales[1] growth, Q4 2012 – Q2 2016
- Like-for-like[2] System Sales (PLN) up 28% H1 2016 on H1 2015
- Like-for-like System Sales (PLN) up 24% July-August 2016 on July-August 2015
- Total System Sales up 57% H1 2016 on H1 2015
- Corporate store EBITDA +104% H1 2016 on H1 2015
- Commissary gross profit[3] +143% H1 2016 on H1 2015
- Group EBITDA[4] loss reduced +6% H1 2016 on H1 2015 at actual exchange rates
- 69% delivery sales online

Peter Shaw, Chief Executive of DP Poland said:

“Out of our 6 store openings so far this year I am delighted that 3 stores have been opened by 2 new sub-franchisees, in 2 new cities, taking the number of our sub-franchise partners to 4. Domino’s Pizza is now available in 7 Polish cities, with 29 stores to date, 16 corporately managed and 13 sub-franchised.

We saw more than a doubling of both corporate store EBITDA and commissary gross profit in the first half of the year driven by rapid sales growth and improvements in food costs. The continuing improvement in Group EBITDA losses will accelerate as the growth in overheads necessary for rapid expansion become proportionately less significant to accelerating sales.”

[1] System Sales – total retail sales including sales from corporate and sub-franchised stores
[2] Like-for-like growth in PLN, matching trading periods for the same stores between 1 January and 30 June, 2015 and 1 January and 30 June, 2016
[3] Sales minus variable costs
[4] Excluding non-cash and non-recurring items
[5] Sales minus food costs. This figure excludes sub-franchised stores
[6] Exchange rate average for H1 2016 - £1: 5.61 PLN
[7] Exchange rate average for H1 2015 - £1: 5.65 PLN

Enquiries:

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Chief Executive’s Review

Store performance

Strong like-for-like[2] performance of existing stores at +28%, plus the contribution of new stores saw total System Sales[1] grow by +57% H1 2016 on H1 2015. This strong sales performance, supported by healthy gross margin[5] and controlled store operating costs, translated to a marked improvement in Corporate Store EBITDA at +104% H1 2016 on H1 2015.

Like-for-like performance July-August continued at 24%.

Store roll-out

6 stores have been opened in 2016 to date, taking the total to 29 stores.

We have a pipeline of store openings for the rest of the year and into 2017, and we currently have 1 store ready to open and 3 stores under construction.

The table below sets out our current store estate.

Stores	1 Jan 2016	Opened	Sold to franchisees	Closed	30 June 2016	19 Sept 2016
Corporate	15	3	0	0	18	16
Sub-franchised	8	2	0	0	10	13
Total	23	5	0	0	28	29

Presence in 7 cities: Warsaw, Krakow, Wrocław, Gdansk, Szczecin, Zielona Gora and Lublin.

In July and August we sold 2 corporate stores to sub-franchisees, 1 to HLM and 1 to RHPP. In August 1 sub-franchised store was opened by our fourth franchisee Active.

We have expanded our real estate team to deliver our accelerated store opening programme. This team, including third party specialists, is responsible for finding and negotiating sites, project managing store fit-outs and commissioning store openings, for both corporately managed and sub-franchised stores.

Sub-franchised stores

We have 4 sub-franchise partners operating 13 stores between them.

Our third sub-franchise partner acquired their first store in April and opened a second in the same city in June. Our fourth sub-franchisee opened his first store in August in his home city, having first trained in one of our stores in Warsaw.

We anticipate seeing further sub-franchising in the near future as more candidates come forward to create their own successful Domino's Pizza businesses.

Commissary and procurement

With 57% growth in System Sales compared to H1 2015 we saw commissary gross profit[3] grow +143% H1 2016 on H1 2015. The establishment of our own commissary in September 2015 has delivered marked improvements in dough production costs and warehouse product handling costs, supporting this improved gross profit.

Our procurement team continues to deliver improved food costs, supporting improved corporate store EBITDA and improved commissary gross profit. We are focused on supplying our sub-franchisees with high quality ingredients at highly competitive prices, aiding their sub-franchised store profitability.

We will be extending our commissary capacity in 2017 to support our growing System Sales from existing and new stores, deploying a capital light model.

Group performance

Group EBITDA[4] losses, at actual exchange rates[6, 7], improved 6% H1 2016 (£728,397) on H1 2015 (£773,591).

As described in the Finance Director's report below the Group loss for the period, at actual exchange rates, was reduced by 12% H1 2016 (£944,378) on H1 2015 (£1,074,059)

A rapidly growing store estate and projected growth in System Sales this year and next, requires investment in commissary capacity and the teams that support store expansion, including real estate, distribution and area management. Step changes in these direct and indirect costs are anticipated to have a short term impact on Group EBITDA, before the growth in sales absorbs that impact and proportionately reduces those costs as a percentage of sales.

Online sales

Online sales grew to 69% of delivery sales for H1 2016 compared with 66% in H1 2015, benefiting the customer by providing an easy means of ordering and improving store economics by reducing the need to take orders by telephone.

We continue to invest in improving the online experience for our customers, whether they purchase via smart phone, tablet or PC.

Marketing and innovation

Online is an important element of our marketing activity, supported by out-of-door advertising, radio advertising and local sponsorship. The combination of new product introductions, the promotion of tried and tested favourites and offering great value for money are the cornerstones of our marketing approach.

In March 2016 we introduced Hot Dog Crust and in September 2016 we introduced Cheesy Crust, both product innovations that are popular in other Domino's markets.

Outlook and current trading

Growth over the last two months has continued in the same vein as the first half, with strong like-for-likes July to August. We anticipate 2016 finishing strongly both in terms of like-for-like sales growth and absolute growth in System Sales. As the business grows, the necessary investments for growth in the Polish team (commissary, real estate, area management and sub-franchisee support) will become proportionately less significant and will be reflected in further improvement in Group EBITDA.

The impact of Brexit on our business is a question that has been raised a number of times. At this stage it is difficult to predict on a macro-economic basis, however it is clear that Poland is firmly set as a key member of the European Community, benefiting from very significant investment in infrastructure and innovation projects. In turn Poland contributes a robust growth economy with a highly qualified and motivated workforce and growing consumer demand for great value products. As distribution improves with more store openings and as our customer loyalty grows we believe that the growth of Domino's Pizza in Poland over the coming years will remain robust and uninterrupted.

Peter Shaw

Chief Executive

19 September 2016

Finance Director's review

Overview

In H1 2016 we reached our 15th consecutive quarter of double digit like-for-like[2] System Sales[1] growth. We achieved this consistent growth while improving both corporate store EBITDA and commissary gross profit[3]. Our retail pricing strategy is driven by a profit motive rather than a pure volume growth motive and our System Sales and central marketing activities are judged within specific Return on Marketing Investment parameters. Our new commissary has delivered greater cost efficiencies than budgeted, due to higher than budgeted sales volumes. Corporate store EBITDA has grown by +104% (H1 2016 on H1 2015) and commissary gross profit has grown by +143% (H1 2016 on H1 2015).

The continued drop in unemployment in Poland has resulted in a general upward pressure on wages which has impacted store labour costs. This inflation in store labour costs has been ameliorated by both improvements in food costs and carefully managed pricing. While we expect to see continuing improvement in economies of scale in our procurement of food we also expect food commodity prices to increase next year in response to expected growth in world demand, particularly if Russia ends its sanctions on food imports.

Direct and Indirect Costs

As our revenue grows the impact of Direct and Indirect Costs on Group EBITDA[4] becomes less marked, however there is a stepped element to this progression as capacity is added in response to a significant uplift in sales and store numbers, including commissary production capacity, distribution costs, the store expansion team and the area management team. I have set out below some more detail on the factors impacting Direct and Indirect Costs.

Direct costs

In preparation for further store openings and continuing growth in System Sales we will be extending our commissary capacity in 2017 deploying a capital light model. This additional commissary capacity will impact Direct Costs through additional rent, operating costs, production labour and warehousing labour. As System Sales grow the impact of this additional commissary capacity on Direct Costs will become proportionately smaller and the benefits of lower production costs and lower warehouse product handling costs will be seen in further improvements in corporate store EBITDA, because of lower food costs, and in improved commissary gross profit. The opening of new stores in new cities also results in higher distribution costs which in turn will become proportionately less significant as more stores are opened in those new cities, spreading those costs across more stores.

Indirect costs: Selling, General and Administrative Expenses (S,G&A)

In H1 2016 Selling, General and Administrative Expenses (S,G&A) were 29% of System Sales a 13 percentage point improvement against H1 2015 (H1 2015 42%). The opening of new stores in new cities requires a larger store expansion team and additional area managers to oversee both corporate and sub-franchised store performance. As we open more stores these additional costs will become proportionately less significant and the overall impact of S,G&A on Group EBITDA will continue to reduce.

Store count

6 stores have been opened to date, taking the total to 29 stores. We have a pipeline of store openings for the rest of the year, into 2017, and we currently have 1 store about to open and 3 stores under construction.

The table below sets out our current store estate.

Stores	1 Jan 2016	Opened	Sold to franchisees	Closed	30 June 2016	19 Sept 2016
Corporate	15	3	0	0	18	16
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Presence in 7 cities: Warsaw, Krakow, Wrocław, Gdansk, Szczecin, Zielona Gora and Lublin.

On 1 July and on 1 August we sold 2 corporate stores, 1 to HLM and 1 to RHPP. In August 1 sub-franchised store was opened by our fourth sub-franchisee Active.

Sales Key Performance Indicators

In H1 we saw 57% growth in System sales, a result of like-for-like (LFL) sales growth of 28% and sales from 6 newly opened stores.

Delivery online sales continue to grow, a more cost-efficient means of making a sale.

	H1 2016 £	H1 2015 £	Change %
System sales[1]*	3,195,934	2,037,663	+57%
LFL[2] system sales	+28%	+16%	
Delivery system sales ordered online	+69%	+66%	

*Constant exchange rate of £1:5.61PLN

Group performance

Revenue increased +70% as the result of 28% growth of LFL system sales and the opening of new stores. The improvement in Group EBITDA[4] is driven by the continuing improvement in Corporate Store EBITDA, the growing contribution from commissary and careful management of S,G&A.

Group Revenue & EBITDA*	H1 2016 £	H1 2015 £	Change %
Revenue	2,961,489	1,743,918	+70%
Group EBITDA[4]	(728,397)[6]	(773,591)[7]	+6%

*Actual exchange rates for H1 2016 and H1 2015

Group loss for the period

Group loss for the period has reduced, in line with Group EBITDA and also on account of foreign exchange gains.

Group Loss for the period*	H1 2016 £	H1 2015 £	Change %
Group loss for the period	(944,378)[6]	(1,074,059)[7]	+12%

* Actual exchange rates for H1 2016 and H1 2015

Exchange rates

PLN: £1	H1 2016	H1 2015	Change %
Profit & Loss Account	5.6098	5.6536	-1%
Balance Sheet	5.3125	5.9156	-10%

Financial Statements for our Polish subsidiary DP Polska S.A. are denominated in zloties (PLN) and translated to sterling (£). Under IFRS the Profit and Loss Account for the Group has been converted from PLN at the average half-a-year exchange rate applicable to PLN against £. The balance sheet has been converted from PLN to £ at the 30 June 2016 exchange rate applicable to PLN against £.

Cash position

Cash has reduced by 23% from 1 January 2016, with the net cash at 30th June 2016 being £5.4m**.** Such spending was to cover Group losses and store CAPEX.

	1 January 2016 £	Cash consumption £	30 June 2016 £
Cash in bank*	6,987,503	(1,596,454)	5,391,049

*Actual exchange rates as at 31 Dec 2015 and 30 June 2016

Maciej Jania

Finance Director

19 September 2016

Group Income Statement

for the six months ended 30 June 2016

		Notes	*Unaudited* 6 months to 30.06.16 £	*Unaudited* 6 months to 30.06.15 £	*Audited* Year to 31.12.15 £
Revenue			2,961,489	1,743,918	3,558,261
Direct costs			(2,747,756)	(1,659,121)	(3,367,684)
Profit after direct costs			213,733	84,797	190,577
Selling, general and administrative expenses - *excluding depreciation, amortisation and share based payments*			(942,130)	(858,388)	(1,836,009)
GROUP EBITDA - *excluding non-cash and non-recurring items*			(728,397)	(773,591)	(1,645,432)
Other non-cash and non-recurring items			(17,053)	(17,307)	(73,944)
Finance income			18,705	12,778	46,464
Finance costs			(5,664)	(518)	(4,519)
Foreign exchange gains / (losses)			199,304	(17,002)	39,084
Depreciation, amortisation and impairment			(221,320)	(162,278)	(340,162)
Share based payments			(189,953)	(116,141)	(214,754)
Loss before taxation			(944,378)	(1,074,059)	(2,193,263)
Taxation		2	-	-	-
Loss for the period			(944,378)	(1,074,059)	(2,193,263)
Loss per share	Basic	3	(0.74 p)	(1.16 p)	(2.01 p)
	Diluted	3	(0.74 p)	(1.16 p)	(2.01 p)

Group Statement

of comprehensive income

for the six months ended 30 June 2016

	Unaudited	*Unaudited*	*Audited*
	6 months to	6 months to	Year to
	30.06.16	30.06.15	31.12.15
	£	£	£
Loss for the period	(944,378)	(1,074,059)	(2,193,263)
Currency translation differences	426,279	(235,219)	(218,117)
Other comprehensive expense for the period, net of tax to be reclassified to profit or loss in subsequent periods	426,279	(235,219)	(218,117)
Total comprehensive income for the period	(518,099)	(1,309,278)	(2,411,380)

Group Balance Sheet

at 30 June 2016

	Unaudited	*Unaudited*	*Audited*
	30.06.16	30.06.15	31.12.15
	£	£	£
Non-current assets			
Intangible assets	268,680	264,525	251,697
Property, plant and equipment	2,845,740	1,717,497	2,053,207
Trade and other receivables	512,058	308,302	287,351
	3,626,478	2,290,324	2,592,255
Current assets			
Inventories	200,116	73,301	116,668
Trade and other receivables	1,025,310	550,351	1,040,702
Cash and cash equivalents	5,391,049	3,313,690	6,987,503
	6,616,475	3,937,342	8,144,873
Total assets	10,242,953	6,227,666	10,737,128

Current liabilities			
Trade and other payables	(672,927)	(648,319)	(853,209)
Borrowings	(45,669)	-	(34,416)
Provisions	(50,983)	(104,509)	(35,274)
	(769,579)	(752,828)	(922,899)
Non-current liabilities			
Borrowings	(124,991)	-	(97,801)
Provisions	-	-	(39,899)
	(124,991)	-	(137,700)
Total liabilities	(894,570)	(752,828)	(1,060,599)
Net assets	9,348,383	5,474,838	9,676,529
Equity			
Called up share capital	651,241	477,190	651,241
Share premium account	23,856,796	18,825,667	23,856,796
Capital reserve - own shares	(56,361)	(56,361)	(56,361)
Retained earnings	(14,724,535)	(12,949,519)	(13,970,110)
Currency translation reserve	(378,758)	(822,139)	(805,037)
Total equity	9,348,383	5,474,838	9,676,529

Group Statement of Cash Flows

for the six months ended 30 June 2016

	Unaudited	*Unaudited*	*Audited*
	6 months to	6 months to	Year to
	30.06.16	30.06.15	31.12.15
	£	£	£
Cash flows from operating activities			
Loss before taxation for the period	(944,378)	(1,074,059)	(2,193,263)
Adjustments for:			
Finance income	(18,705)	(12,778)	(46,464)
Finance costs	5,664	517	4,519
Depreciation and amortisation and impairment	221,320	162,278	340,162
Share based payments expense	189,953	116,141	214,754
Operating cash flows before movement in working capital	(546,146)	(807,901)	(1,680,292)
(Increase) / decrease in inventories	(68,865)	20,472	(22,103)
Decrease / (increase) in trade and other receivables	174,361	(118,715)	(532,689)
(Decrease) / increase in trade and other payables	(311,978)	(122,125)	314,941
Cash generated from operations	(752,628)	(1,028,269)	(1,920,143)
Taxation paid	-	-	-
Net cash from operating activities	(752,628)	(1,028,269)	(1,920,143)
Cash flows from investing activities			
Payments to acquire software	(17,889)	(5,322)	(6,433)
Payments to acquire property, plant and equipment	(899,995)	(172,463)	(814,485)
Payments to acquire intangible fixed assets	(5,145)	(2,514)	(15,895)
Lease and other deposits repaid / (advanced)	(23,911)	(26,436)	(45,203)
Proceeds from disposal of property plant and equipment	149,066	8,844	140,864
(Increase) / decrease in loans to sub-franchisees	(164,490)	92,556	28,091
Interest received	18,705	12,779	46,464
Net cash used in investing activities	(943,659)	(92,556)	(666,597)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital	-	-	5,205,180

Repayment of borrowings	(19,983)	-	-
Interest paid	(5,664)	(517)	(4,519)
Net cash from financing activities	(25,647)	(517)	5,200,661
Net (Decrease) / increase in cash and cash equivalents	(1,721,934)	(1,121,342)	2,613,921
Exchange differences on cash balances	125,480	(31,395)	(92,845)
Cash and cash equivalents at beginning of period	6,987,503	4,466,427	4,466,427
Cash and cash equivalents at end of period	5,391,049	3,313,690	6,987,503

Group Statement of Changes in Equity

for the six months ended 30 June 2016

	Share capital £	Share premium account £	Retained earnings £	Currency translation reserve £	Capital reserve - own shares £	Total £
At 31 December 2014	477,190	18,825,667	(11,991,601)	(586,920)	(56,361)	6,667,975
Share based payments	-	-	116,141	-	-	116,141
Translation difference	-	-	-	(235,219)	-	(235,219)
Loss for the period	-	-	(1,074,059)	-	-	(1,074,059)
At 30 June 2015	477,190	18,825,667	(12,949,519)	(822,139)	(56,361)	5,474,838
Shares issued	174,051	5,325,949				5,500,000
Expenses of share issue	-	(294,820)	-	-	-	(294,820)
Share based payments	-	-	98,613	-	-	98,613
Translation difference	-	-	-	17,102	-	17,102
Loss for the period	-	-	(1,119,204)	-	-	(1,119,204)
At 31 December 2015	651,241	23,856,796	(13,970,110)	(805,037)	(56,361)	9,676,529
Share based payments	-	-	189,953	-	-	189,953
Translation difference	-	-	-	426,279	-	426,279
Loss for the period	-	-	(944,378)	-	-	(944,378)
At 30 June 2016	651,241	23,856,796	(14,724,535)	(378,758)	(56,361)	9,348,383

Notes to the Interim Financial Statements

for the six months ended 30 June 2016

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 16 September 2016.

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 2015.

The financial statements for the year ended 31 December 2015, 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, 42-50 Hersham Road, Walton-on-Thames, Surrey KT12 1RZ, or from our website www.dppoland.com.

2 Taxation

	Unaudited	*Unaudited*	*Audited*
	6 months to	6 months to	Year to
	30.06.16	30.06.15	31.12.15
	£	£	£
Current tax	-	-	-
Deferred tax charge 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:

	Unaudited	*Unaudited*	*Audited*
	6 months to	6 months to	Year to
	30.06.16	30.06.15	31.12.15

Profit / (loss) after tax (£)	(944,378)	(1,074,059)	(2,193,263)
Weighted average number of shares in issue	127,192,268	92,382,142	109,369,484
Basic and diluted earnings per share (pence) - after exceptional items	(0.74 p)	(1.16 p)	(2.01 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 2016 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 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 2015, available from www.dppoland.com and remain unchanged.