DP Poland Plc

Funding and plans in place to establish a profitable business in one of Europe's most resilient economies

DP Poland, which through its wholly-owned subsidiary DP Polska S.A. ("DP Polska") has the exclusive right to develop and operate Domino's Pizza stores in Poland, announced final results for the year ended 31 December 2012.

Key Highlights:

Core estate established in Warsaw – ready to expand into new conurbations

- 15 corporate stores opened by March 2013
- 12 stores have been open for 12 months or more
- 5 further stores to open in Warsaw this year
- 1 store lease already signed, 2 more in advanced negotiations and 2 further locations in pipeline
- First stores outside of Warsaw set to open in 2013

Successful fundraising hoped to provide funding through to EBITDA break-even

- The cash position of the Group as of 31st December 2012 stood at £10,929,753.

PLC board strengthened with key high profile appointments

- Chris Moore, previously Chief Executive of Domino's Pizza Group plc, appointed non-executive director
- Gerry Ford, Chairman and Chief Executive of Caffè Nero Group Ltd, appointed non-executive director
- Maciej Jania, appointed Finance Director, alongside his role as MD DP Polska S.A.

Initial move to sub-franchising

- First sub-franchised store expected to open as a pilot in Warsaw this year

Group results as anticipated for early stage start-up

- Group revenue from store sales was £1,775,368 in 2012 (2011: £425,435)
- Loss per share was 11.10p

Strong growth in sales and gross margin

- Like-for-like* sales +37% (stores opened March to December 2011)
- Like-for-like* gross margin +51% (stores opened March to December 2011)

Strong sales growth experienced in 2012 continuing into 2013

- Like-for-like* sales, January 2013 on 2012, more than doubled, at 116%
- Like-for-like* gross margin, January 2013 on 2012 more than doubled at 125%
- Like-for-like store EBITDA, January 2013 on 2012 64% reduction in losses
- February and March trading is in line with expectations

**2013 on 2012 like-for-likes based on trading for the 12 sites that were open on 1st January 2012*

Peter Shaw, Chief Executive of DP Poland, commented:

"2012 has been a year of significant progress for DP Poland and we have made a number of strategic moves that have put the company in a strong position to deliver on its stated strategy in 2013 and beyond. We now have a core operation in Warsaw that is delivering an encouraging trading performance and is building awareness of the Domino's Pizza brand and is well funded. In 2013 DP Poland will continue to grow its corporate estate in Warsaw, will move into new cities and will trial its first sub-franchise store."

26 March 2013

Enquiries

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Chairman's Statement

2012 was another year of significant progress for DP Poland and included our third and most significant (£10m net) fundraising. We are hopeful that the funds now raised should see the Group through to EBITDA break-even.

With fifteen stores open in Warsaw and a number in the pipeline we are well advanced in our objective to be the largest pizza *delivery* operation in Warsaw. We aim, and are on target, to have twenty stores in Warsaw by the end of 2013, the same number as our largest competitor.

The consumer research we have undertaken identified that good quality, hot pizza, speed and value are the key drivers in the Warsaw pizza delivery market. We believe that our offer is in tune with these drivers and that our growing regular-customer base demonstrates that we are delivering what the Warsaw consumer wants.

Later this year we will open our first Domino's Pizza store outside of Warsaw. This is an exciting milestone in the expansion of the Domino's Pizza brand in Poland and will be the first of a number of cities that have been earmarked for future expansion. Our long term objective is to be the number one pizza delivery brand in Poland, a market that is the sixth largest economy in Europe with a population of some thirty eight million and which continues to achieve positive GDP growth year-on-year.

We believe that Poland continues to be an attractive proposition to investors as it evolves into an important market led economy. The significant, transforming EC investment in transport (and other) infrastructure, not only contributes to the country's growth but will specifically facilitate our distribution requirements as we expand out of Warsaw.

Hand in hand with our expansion and sales growth we are focused on driving store profitability and 'proving the model' for Domino's Pizza stores in Poland. With regard to current trading I am pleased to report that like-for-like growth in sales for January 2013 on 2012 was +116%. Whilst achieving sustained break-even at the store level has taken longer than originally anticipated, we believe that the store break-evens which we witnessed in the last quarter of 2012 and the acceleration towards break-even that is evident across the store estate will continue. As with any start-up our growth curve is unlikely to be smooth, but we are confident that it will continue on its upward trajectory over the coming year.

Finally, I would like formally to welcome Chris Moore, former Chief Executive of Domino's Pizza Group and Gerry Ford, Chairman and Chief Executive of Caffè Nero Group, as non-executive directors to the board. Chris and Gerry both bring significant experience to this business and have already spent time with the management team in Warsaw, I believe that their input will be invaluable. I thank them for their evident commitment to and enthusiasm for this business and the exciting prospects it holds out for both our shareholders and the entire DP Poland team.

Nicholas Donaldson
Non-Executive Chairman
25 March 2013

Chief Executive's Review

Establishing Domino's Pizza in Poland

Our objective is to become number one in the pizza delivery market in Poland. To achieve this we must have the best offer, the strongest marketing and a greater willingness to invest in achieving that objective than our competitors.

We opened our first Domino's Pizza store a little over two years ago, on 28th February 2011. The strategy from launch has been to establish our presence rapidly in Warsaw, promoting the Domino's Pizza brand and opening sufficient stores to compete with our four main competitors, each of which has fifteen to twenty stores in the city. Pizza delivery is not new to Warsaw, but it is not the primary focus of our competitors. High quality pizza and consistently short delivery times are key features of our offer, and consumers need to be convinced of this, through marketing and trial, before they will become loyal customers. I am pleased to say that the message is starting to get through.

While the strategy remains unchanged, our business model has evolved to accommodate the longer than originally anticipated period to individual store break-even and sales maturity. In addition to sales taking longer to grow, store openings have been more expensive than in our original model, particularly due to the procurement and installation costs of high specification air conditioning/ventilation and power supply. While these CAPEX costs are higher than first anticipated, the resulting quality of the store environment, equipment and management systems mean that our customers experience a superior offer and greater value, consistent with the Domino's Pizza brand. Meanwhile we continually seek to drive cost efficiencies in store build where it does not impact the quality of our offer.

Focus on sales and gross margin in 2012

Our focus in 2011 was to establish operations, open our first store and to build a significant presence in Warsaw. We ended 2011 with twelve stores opened.

Our focus in 2012 was to attract and retain customers and to establish consistent growth in sales and gross margin. Like-for-likes 2012 on 2011 were sales +37% and gross margin +51% (stores opened March to December 2011). While the drive to store break-even is likely to be an uneven process, with stores dipping in and out as sales stabilise, we witnessed a significant improvement of average store EBITDA through the year. For the first time, in November, three stores broke even.

We are still a relative newcomer to Warsaw. At the beginning of 2012 our oldest store was only ten months old and our youngest store less than one month old. By the year end only three stores were eighteen months or older.

By December 2012 21% of all transactions were placed online. The average online transaction value in 2012 was 22% higher than the average transaction made 'offline' (by phone or in-store).

With the focus on driving awareness, sales and margin, we minimised store openings, opening two stores in the year, taking our estate to fourteen. We delayed contracting our planned fifteenth store until we had secured our latest funding round. We opened our fifteenth store in March 2013.

Strategy for 2013 and 2014

We have a two pronged strategy for growth in 2013 and 2014:

- to grow sales and gross margin at the individual store level, proving the model as stores hit EBITDA break-even and beyond; and
- to roll out store openings to major cities beyond Warsaw.

Both aspects of this strategy require significant investment in marketing and promotion, to establish a brand bridgehead and to drive orders, this will be funded from the recent fundraising.

At the end of 2012 we committed to opening twenty stores over the next two years, totalling thirty five stores by the end of 2014. Beyond 2014 we expect to see a growing number of stores opened by sub-franchisees, replicating the model seen in most Domino's Pizza markets.

At the time of writing this report we have signed one further store in Warsaw and we are in advanced negotiations on two others. Sites for the nineteenth and twentieth Warsaw stores have been identified. We have also started to explore site opportunities in the city where we expect to open our first stores outside of Warsaw, which we anticipate to be in the second half of this year

Sub-franchising

As indicated above, we expect our business, as in most Domino's Pizza markets, to grow through a combination of corporate and sub-franchised stores. The strategic advantage of corporate stores is the retention of all store profit by the Group. The strategic advantage of sub-franchised stores is the motivation of the sub-franchisee to drive profitability, as well as ultimately bearing the capital cost of the store build.

We expect our first sub-franchised store to open in Warsaw this year, as one of the five planned store openings. We are hopeful that this pilot sub-franchise store will help to prove the model for potential sub-franchisees in the future.

Financial review

Group income

Group revenue from store sales was £1,775,368 in 2012. Group EBITDA for the year was a loss of £2,673,194. Total loss for the period after tax, depreciation, finance income and accounting for share based payments was £3,133,951. Loss per share was 11.10p.

Cash position

The cash position of the Group as of 31st December 2012 stood at £10,929,753.

Fund raising

Our second fund raising was completed in early February 2012, raising c.£3.2m after fundraising costs. Our third fundraising was completed in early November 2012, raising £10.0m after costs. We are hopeful that these funds will see the Group through to EBITDA break-even.

Capital expenditure (CAPEX) and operating expenditure (OPEX)

We built two stores in 2012, taking the decision to postpone the planned third 2012 store until after the fundraising round was completed in November. As noted above, our fifteenth store was opened in March 2013. We plan to build ten further stores in 2013, one of which will be, as indicated above, a pilot sub-franchise store. The CAPEX for this sub-franchise store will be initially provided by the Company, to be repaid by the sub-franchisee over a defined period. The sub-franchisee will bear all OPEX costs of the store on an on-going basis.

OPEX requirements in 2012, to support loss making stores, were significant, as anticipated. We expect this cost to reduce as stores get closer to, and hit, cash positive.

Key performance indicators

As DP Poland continues to grow and has a greater number of more established units, we intend to provide updates on our progress by reporting on certain key performance indicators of store performance. Clearly, given the early stage of our operations in Poland, the numbers contained within the KPIs will not always move in a straight upwards line, some stores will grow more quickly others less so. Seasonality will also be a factor. They should, however, give an overall indication of our continued progress.

Current trading and outlook

The strong sales growth experienced in 2012 continued its upward trajectory into 2013. January like-for-like sales, 2013 on 2012, more than doubled, up 116% (for 12 stores opened by 1st January 2012) and January gross profit (after food costs) like-for-likes were up 125%. Like-for-like store EBITDA January 2013 on 2012, show a 64% reduction in losses (for 12 stores opened by 1st January 2012).

The pace of new customer acquisition also continued. Acquiring new customers and converting a significant proportion of them to loyal customers is a key measure of the health of this business, as each store builds its database in the early months and years.

In January we launched our Italian style range, backed by an attractive price promotion. Parma pizza became our most popular pizza in January, pushing Domino's Pepperoni into number two slot for the first time. In January we also introduced a value book, featuring a range of weekly promotions, this achieved a very high rate of redemptions and drove sales.

As reported above, online sales continue to grow as a proportion of total sales, standing at over 21% in January. Our mobile phone app is in testing and we expect its launch, later this year, will further augment online sales.

February and March trading is in line with expectations and as the year progresses we fully expect to see more stores cross into sustained break-even. It will not always be a steady growth curve, as we see our competitors respond to our marketing initiatives, but we are confident that the trend will continue to be positive as we further establish our foothold in this market.

Peter Shaw
Chief Executive
25 March 2013

Group Income Statement
for the year ended 31 December 2012

	Notes	**2012** **£**	2011 £
Revenue		1,775,368	452,435
Cost of sales		(1,224,813)	(419,840)
Gross profit		550,555	32,595
Distribution costs		(271,143)	(57,342)
Administrative expenses - excluding depreciation, amortisation and share based payments		(2,952,606)	(1,735,264)
GROUP EBITDA		(2,673,194)	(1,760,011)
Finance income		26,079	52,642
Finance costs		-	(39)
Foreign exchange gains / (losses)		18,486	(35,498)
		44,565	17,105
Depreciation and amortisation		(378,024)	(131,954)
Loss before taxation and share based payments		(3,006,653)	(1,874,860)
Share based payments		(127,298)	(113,934)
Loss before taxation	2	(3,133,951)	(1,988,794)
Taxation	3	-	63,014
Loss for the period		(3,133,951)	(1,925,780)
Loss per share - Basic	4	(11.10 p)	(11.51 p)
Diluted	4	(11.10 p)	(11.51 p)

All of the loss for the year is attributable to the owners of the Parent Company.

Group Statement of comprehensive income
for the year ended 31 December 2012

	2012	2011
	£	£
Loss for the period	(3,133,951)	(1,925,780)
Currency translation differences	137,083	(360,128)
Total comprehensive income for the period	(2,996,868)	(2,285,908)

Group Balance Sheet
at 31 December 2012

	Notes	**2012**	2011
		£	£
Non-current assets			
Intangible assets	5	322,557	338,166
Property, plant and equipment	5	2,527,836	2,247,554
Deferred tax asset		86,200	81,260
		2,936,593	2,666,980
Current assets			
Inventories		87,857	71,034
Trade and other receivables		441,193	1,120,793
Cash and cash equivalents		10,929,753	873,672
		11,458,803	2,065,499
Total assets		14,395,396	4,732,479
Current liabilities			
Trade and other payables		(572,289)	(736,838)
Total liabilities		(572,289)	(736,838)
Net assets		13,823,107	3,995,641
Equity			
Called up share capital	7	477,190	102,968
Share premium account		18,827,775	6,504,961
Capital reserve - own shares		(56,361)	(56,361)
Retained earnings		(5,179,781)	(2,173,128)
Currency translation reserve		(245,716)	(382,799)
Total equity		13,823,107	3,995,641

The financial statements were approved by the Board of Directors and authorised for issue on 25 March 2013 and were signed on its behalf by:

Peter Shaw
Director

Maciej Jania
Director

Group Statement of Cash Flows
for the year ended 31 December 2012

	Note	**2012**	2011
		£	£
Cash flows from operating activities			
Loss before taxation for the period		(3,133,951)	(1,988,794)
Adjustments for:			
Finance income		(26,079)	(52,642)
Finance costs		-	39
Depreciation and amortisation		378,024	131,954
Share based payments expense		127,298	113,934
Operating cash flows before movement in working capital		(2,654,708)	(1,795,509)
Increase in inventories		(12,168)	(47,531)
Decrease/(increase) in trade and other receivables		223,231	(271,356)
Increase in trade and other payables		136,957	118,633
Cash generated from operations		(2,306,688)	(1,995,763)
Taxation paid		-	-
Net cash from operating activities		(2,306,688)	(1,995,763)
Cash flows from investing activities			
Payments to acquire software		(890)	(104,423)
Payments to acquire property, plant and equipment		(773,032)	(1,832,173)
Payments to acquire intangible fixed assets		(21,562)	(22,775)
Lease deposits net amount repaid / (advanced)		4,422	(281,636)
Interest received		26,079	52,642
Net cash used in investing activities		(764,983)	(2,188,365)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		13,161,586	-
Interest paid		-	(39)
Net cash from financing activities		13,161,586	(39)
Net increase/(decrease) in cash and cash equivalents		10,089,915	(4,184,167)
Exchange differences on cash balances		(33,834)	(1,684)
Cash and cash equivalents at beginning of period		873,672	5,059,523
Cash and cash equivalents at end of period		10,929,753	873,672

Group Statement of Changes in Equity
for the year ended 31 December 2012

	Share capital £	Share premium account £	Retained earnings £	Currency translation reserve £	Capital reserve - own shares £	Total £
At 31 December 2010	98,893	6,044,486	(361,282)	(22,671)	(56,361)	5,703,065
Shares issued	4,075	484,925	-	-	-	489,000
Expenses of share issue	-	(24,450)	-	-	-	(24,450)
Share based payments	-	-	113,934	-	-	113,934
Translation difference	-	-	-	(360,128)	-	(360,128)
Loss for the period	-	-	(1,925,780)	-	-	(1,925,780)
At 31 December 2011	102,968	6,504,961	(2,173,128)	(382,799)	(56,361)	3,995,641
Shares issued	374,222	13,032,427	-	-	-	13,406,649
Expenses of share issue	-	(709,613)	-	-	-	(709,613)
Share based payments	-	-	127,298	-	-	127,298
Translation difference	-	-	-	137,083	-	137,083
Loss for the period	-	-	(3,133,951)	-	-	(3,133,951)
At 31 December 2012	**477,190**	**18,827,775**	**(5,179,781)**	**(245,716)**	**(56,361)**	**13,823,107**

Notes to the Financial Statements
for the year ended 31 December 2012

1. Basis of preparation

The financial statements have been prepared on the historical cost basis, with the exception of certain financial instruments and share based payments. The consolidated and Company financial statements of D P Poland plc have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC Interpretations and the Companies Act 2006 applicable to Companies reporting under IFRS. The financial statements have been prepared in accordance with IFRS and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements (March 2013). The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies.

2. Loss before taxation

This is stated after charging.

		2012	2011
		£	£
Auditors' remuneration	– audit of company and group financial statements	21,500	20,500
	– tax compliance services	1,850	750
Directors' emoluments	– remuneration and fees	194,263	185,042
Amortisation of intangible fixed assets		57,647	35,097
Depreciation of property, plant and equipment		320,377	96,857
Amortisation of intangible fixed assets		57,646	-
Operating lease rentals	– land and buildings	540,747	231,842
Foreign exchange losses		-	35,498
and after crediting			
Foreign exchange gains		18,486	-

3. Taxation

	2012	2011
	£	£
Current tax	-	-
Deferred tax credit relating to the origination and reversal of temporary differences	-	63,014
Total tax credit in income statement	-	63,014

4. Loss per share

The loss per ordinary share has been calculated as follows:

	2012	**2012**	2011	2011
		£		£
	Weighted average number of shares	Profit / (loss) after tax	Weighted average number of shares	Profit / (loss) after tax
Basic	28,229,602	(3,133,951)	16,726,803	(1,925,780)
Diluted	28,229,602	(3,133,951)	16,726,803	(1,925,780)

The weighted average number of shares for the year excludes those shares in the Company held by the employee benefit trust. At 31st December 2012 the basic and diluted loss per share is the same, as the vesting of JOSS, SIP or share option awards would reduce the loss per share and is, therefore, anti-dilutive.

5. Intangible assets

Group	Franchise Fees £	Software £	Total £
Cost:			
At 31 December 2010	281,776	12,929	294,705
Foreign currency difference	(39,446)	(12,988)	(52,434)
Additions	22,775	104,423	127,198
At 31 December 2011	265,105	104,364	369,469
Foreign currency difference	16,711	6,369	23,080
Additions	21,562	890	22,452
At 31 December 2012	303,378	111,623	415,001
Amortisation			
At 31 December 2010	-	-	-
Foreign currency difference	(1,544)	(2,250)	(3,794)
Amortisation charged for the period	14,284	20,813	35,097
At 31 December 2011	12,740	18,563	31,303
Foreign currency difference	1,529	1,965	3,494
Amortisation charged for the year	27,343	30,304	57,647
At 31 December 2012	41,612	50,832	92,444
Net book value:			
At 31 December 2012	261,766	60,791	322,557
At 31 December 2011	252,365	85,801	338,166

Franchise fees consisting of the cost of purchasing the Master Franchise Agreement (MFA) from Domino's Pizza Overseas Franchising B.V. have been capitalised and are written off over the term of the MFA. The amortisation of intangible fixed assets is included within administrative expenses in the Income Statement.

6. Property, plant and equipment

Group	Leasehold property £	Fixtures fittings and equipment £	Assets under construction £	Total £
Cost:				
At 31 December 2010	121,193	63,734	196,349	381,276
Foreign currency difference	(153,975)	(128,428)	(10,529)	(292,932)
Additions	1,135,925	1,110,363	-	2,246,288
Transfers	140,962	-	(140,962)	-
Transfer to assets held for sale				
At 31 December 2011	1,244,105	1,045,669	44,858	2,334,632
Foreign currency difference	82,950	68,261	3,423	154,634
Additions	264,994	169,974	25,203	460,171
At 31 December 2012	1,592,049	1,283,904	73,484	2,949,437
Depreciation:				
At 31 December 2010	-	799	-	799
Foreign currency difference	(2,891)	(7,687)	-	(10,578)
Depreciation charged for the year	26,742	70,115	-	96,857
At 31 December 2011	23,851	63,227	-	87,078
Foreign currency difference	5,647	8,499	-	14,146
Depreciation charged for the year	151,923	168,454	-	320,377
At 31 December 2012	181,421	240,180	-	421,601
Net book value:				
At 31 December 2012	1,410,628	1,043,724	73,484	2,527,836
At 31 December 2011	1,220,254	982,442	44,858	2,247,554

7. Share capital

	2012	2011
	£	£
Called up, allotted and fully paid:		
95,437,986 (2011: 19,778,572) Ordinary shares of 0.5 pence each	477,190	98,893
Called up, allotted but not yet paid:		
nil (2011: 815,000) Ordinary shares of 0.5 pence each	-	4,075
Total	477,190	102,968

Movement in share capital during the period

	Number	Nominal value	Consideration
		£	£
At 31 December 2010	19,778,572	98,893	6,987,226
Placing 30 December 2011*	815,000	4,075	489,000
At 31 December 2011	20,593,572	102,968	7,476,226
Placing 20/23 January 2012	3,768,334	18,842	2,261,000
Open offer 7 February 2012	1,076,080	5,380	645,648
Placing 30 November 2012	70,000,000	350,000	10,500,000
At 31 December 2012	95,437,986	477,190	20,882,874

* The consideration for the shares issued on 30 December 2011 was received on 30 January 2012.

8. Annual General Meeting

The Annual General Meeting of DP Poland plc will be held at the offices of Peel Hunt, 120 London Wall, London EC2Y 5ET on 1 May 2013 at 11.00 a.m.