DOMINO'S PIZZA GROUP plc
INTERIM RESULTS FOR THE 26 WEEKS ENDED 29 JUNE 2014

Domino's Pizza Group plc ("Domino's", "DPG", the "Company" or the "Group"), the leading pizza delivery company, announces its results for the 26 weeks ended 29 June 2014.

Financial Highlights

- System sales[1] increased by 14.9% to £375.0m (2013: £326.5m)

- Continued strong operating margin[2], excluding Germany and Switzerland, of 21.7% (2013: 21.2%)

- Operating profit[2], excluding Germany and Switzerland, increased 15.3% to £29.8m (2013: £25.9m). Operating profit, including Germany and Switzerland, after exceptional items, was £24.3m (2013: £10.1m)

- Group profit before tax[2] increased 10.1% to £24.5m (2013: £22.2m).

- Strong growth in like-for-like sales[3] in core UK & Ireland businesses:
  - UK up by 11.3%
  - Republic of Ireland ("ROI"), in Euros, up by 3.2%
  - Germany, in Euros, declined by 1.7%
  - Switzerland, in Swiss Francs, up by 2.9%

- Earnings per share[2];
  - Basic earnings per share up by 7.4% to 11.6p (2013: 10.8p)
  - Diluted earnings per share up by 7.5% to 11.5p (2013: 10.7p)

- Interim dividend increased by 10.0 % to 7.81p per share (2013: 7.10p)

- Strong net cash generated from operating activities of £28.7m (2013: £15.5m) resulting in net debt of £3.7m (2013: £27.9m) and share buyback programme resumed

- Online system sales increased by 30.6% to £204.7m (2013: £156.7m) with online sales accounting for 69.7% of UK delivered sales (2013: 63.3%). Of this, 38.3% of online orders were taken through a mobile device (2013: 27.5%)

[1] Total sales made by all franchisee and corporate stores in the UK, Republic of Ireland, Germany and Switzerland to the public. It is not revenue attributable to Domino's as it is derived mainly from stores owned by franchisees
[2] Pre-exceptional items
[3] Like-for-like sales are sales made in stores that were open before 30 December 2012

- Total of 11 new stores opened in the period with one closure resulting in a total of 868 stores as at 29 June 2014 (2013: 825)

- Created nearly 300 new jobs in stores, expected to rise to over 1,300 by the end of the year

Commenting on the results Chief Executive Officer, David Wild, said:

"I am pleased to report a strong first half performance for Domino's led by the sales results in our core market. We have now seen three successive quarters of double digit like-for-like sales growth in the UK. I am especially pleased at the continued success of our e- and m- commerce platforms showing how customers enjoy and appreciate the benefit of ordering on-line. We are investing further to drive this even harder.

Outside the UK, the ROI has continued its solid recovery and we have seen an improvement in Switzerland after a slow start to the year. Germany continues to be challenging, but we remain committed to our plans.

Looking forward, we plan to open 40-50 stores in the UK this year as previously reported. I remain very excited by the Domino's business and I am enjoying working with our franchisees and my team to build on our success."

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A presentation to analysts will be held at 09.30 on 29 July 2014 at Numis Securities Ltd, The London Stock Exchange Building, 10 Paternoster Square, London EC4M 7LT.

Notes to Editors:

Domino's Pizza Group plc is the leading player in the fast-growing pizza delivery market and holds the exclusive master franchise to own, operate and franchise Domino's Pizza stores in the UK, Republic of Ireland, Germany, Switzerland, Liechtenstein and Luxembourg. The first UK store opened in Luton in 1985 and the first Irish store opened in 1991. In April 2011, the Group acquired a majority stake in the exclusive master franchise to own, operate and franchise Domino's Pizza stores in Germany. In September 2012, the Group acquired the master franchise for Switzerland, Luxembourg and Liechtenstein and an option to acquire the Master Franchise Agreement in Austria prior to the end of 2014.

As at 29 June 2014, there were 868 stores in the UK, Republic of Ireland, Germany and Switzerland. Of these, 670 stores are in England, 56 are in Scotland, 33 are in Wales, 21 are in Northern Ireland, one is on the Isle of Man, three are mobile units, 48 are in the Republic of Ireland, 26 are in Germany and 10 are in Switzerland.

Founded in 1960, Domino's Pizza is one of the world's leading pizza delivery brands. Through its primarily franchised system, Domino's Pizza operates a global network of more than 11,000 Domino's Pizza stores in over 70 international markets. Domino's Pizza has a singular focus – the home delivery of pizza, freshly made to order with high quality ingredients.

Customers in the UK can order online at www.dominos.co.uk, in the Republic of Ireland at www.dominos.ie, in Germany at www.dominos.de and in Switzerland at www.dominos.ch. In addition, mobile customers can order by downloading Domino's free iPhone, iPad and Android apps.

For photography, please visit the media centre at corporate.dominos.co.uk**, contact the Domino's Press Office on +44 (0)1908 580654, or call MHP on +44 (0)20 3128 8100.**

Chairman's statement

I am pleased to report the Interim Results for Domino's Pizza Group for the first half of 2014. This has been a period of management transition and we have delivered a strong result in our core UK market, particularly through the delivery of excellent like-for-like sales growth. This reflects the great work being done in promoting the Domino's product offering, as well as some more encouraging signs in consumer sentiment.

Within our international operations, we saw a solid outcome in Republic of Ireland, especially in Dublin. In Switzerland, our development programme is beginning to show signs of progress. Germany remains challenging but the Board continues to believe in the opportunity of this market and we are proceeding with our new plans outlined at the start of the year.

Group profit before tax and exceptional charges was £24.5m, a 10.1% improvement on 2013. As we have done historically we are raising the interim dividend, this half in line with Group profit before tax growth to 7.81p (2013: 7.10p).

2014 has seen significant management change in the company, with David Wild becoming Chief Executive and Sean Wilkins becoming Chief Financial Officer. Both have settled into their roles quickly and effectively and I am confident that they will successfully lead the Group in its next phase of development in the coming years.

We are announcing several Board changes today. After 15 years, Nigel Wray is stepping down as Non-Executive Director with immediate effect following expiry of his fifth term and John Hodson, having completed nine years as an Independent Non Executive Director, is also stepping down from the Board today. Syl Saller has informed the Board that she is unable to serve a second three year term, when her first ends in September 2014 due to her other commitments. All three colleagues have provided good service and wise counsel and I wish to place my appreciation for their contributions on record. I shall assume the chairmanship of the Nomination Committee in succession to Syl and we expect to announce shortly the appointment of a new Independent Non Executive Director who will chair the Remuneration Committee. Finally we welcome Paul Waters who joins as interim Company Secretary in place of Mark Millar, who leaves to join the AA.

I want to pay tribute to the ongoing efforts of our franchisee partners who, in this time of change, have risen to the task of providing continuity and embraced our programmes with enthusiasm to serve our consumers and drive sales. They are critical to the ongoing success of the company and I appreciate all that they do. Finally, I would like to thank all the staff both in the Support Centres across the territories and in stores, without whom, we would not be able to run such a successful business.

Stephen Hemsley

Non-Executive Chairman

28 July 2014

Chief Executive Officer's review

Overview

I am very pleased to report on a strong set of Interim Results. The Group had a good first half, driven by an excellent performance from the core UK business. In the Republic of Ireland, we saw positive like-for-like sales with notably better growth in Dublin than in regional stores. In Switzerland, after a slow start to the year in part due to the mild winter, we have seen the benefit of our investments in store refurbishment and relocation. Our business in Germany is challenging, but we believe in the opportunity to build a significant operation in the territory and are proceeding with the strategic plan outlined at the start of 2014.

I am delighted to have been appointed as Chief Executive on 30 April 2014following a short period in the interim role. I see great opportunity within Domino's, especially as I look at the brand's success across the globe. I am looking forward to capitalising on the potential that exists within our territories in the coming years. In particular, I am pleased to be working with our franchisees whose passion, energy and initiative remains critical to our success. They have been welcoming and helpful to me as I settle into the permanent role and I am grateful for their continued enthusiasm for this great business.

United Kingdom

The UK business delivered strong sales growth, building on the double-digit like-for-like figures achieved in Q4 2013. For the first half of 2014, system sales in mature stores grew by 11.3% and in total by 16.0%.

This performance reflects the continuing impact of our digital investments, our meal-focused promotion campaigns and the local marketing activities of our franchisees. We are also seeing improved consumer confidence in our sector evidenced by increases in discretionary spending as the economy recovers.

E-commerce continues to fuel much of our UK growth as we seek to find new ways to make it as easy as possible for customers to order our pizzas. Sales through these channels now represent 69.7% of delivered sales and mobile now makes up 38.3% of this, up from 27.5% in the first half of 2013. We anticipate that mobile will become our most popular ordering channel in 2015. We are continuing to divert more of our marketing funds to digital, spending 48% of our media budget during the half, up from 39% in H1 2013, on digital based marketing. We are exploiting the trend of second and third screen viewing by consumers who are watching TV whilst interacting with one or two other devices, and won an award for our sponsorship last year of the X Factor App. Customers are increasingly influenced by social media and in a recent survey 15% cited it as their prompt to order. We are exploring novel campaigns that attract attention in this space. Examples have been Melting Man, edi-box April Fool's spoof and delivering a Pizza to a customer on a train. Each of these reached millions of Twitter followers.

We are also investing in a new website with improved photography, better deal communication, screen size optimisation and easier ordering and payment. We expect this to be live by September this year and will cover all channels including our Apps.

We have had increased success this year by using ‘bundling’ as a promotional mechanic which, as well as communicating value, drives weight of purchase and enhances our appeal to families sharing a meal. The Winter Survival Deal, which ran in January/February (Large Pizza, Garlic Pizza Bread, Wedges and Twisted Dough Balls for £14.99) was very popular with customers. We have followed this with the Summer Scorcher (£19.99 including a drink) and Footyl Fan Feast (£24.99, including 2 Large Pizzas). We ran these offers for around 6-8 weeks alongside other week-long tactical initiatives and franchisee-driven local campaigns.

Our ‘Greatness’ TV Campaign, launched in September 2013, emphasises our quality credentials and has been well-received by consumers. Our regular ‘Brand Tracking’ research shows that since this has been aired, there has been an improvement in the brand affinity metrics most marked within families. We also continue to innovate in product with new toppings regularly added to the menu, for example the Carnivale range of pizzas launched in May to coincide with the World Cup, plus sides of nachos and fajita wedges. We are also enhancing staple products, for example our Chicken Wings, where we have changed the marinade to give better coverage.

The Supply Chain network performed well, giving excellent service to our franchisees. We have invested in the Penrith plant to improve efficiency as we plan our next investment, likely to be in the North West of England, in 2016.

We continue to open new stores in virgin territories and by splitting existing ones to optimise service for customers and maximise sales for each location. In the first half, eight new stores were opened and, as usual, we expect store openings for the year to be strongly second-half weighted. The pipeline is good and we still anticipate 40-50 openings for the full year. Our average weekly sales from new outlets is up by 12.4% compared to last year.

Republic of Ireland (“ROI”)

System sales in ROI have risen to €25.4m (2013: €24.6m) with no new stores opened either this year or last. After the economic crisis, we have now seen six consecutive quarters of sales growth and are encouraged by the progress made in the region. Sales growth has been stronger in Dublin, but we are also seeing positive trends in other areas. Longer opening hours have been of particular benefit in ROI and late-night has been a major contributor to the positive sales trend.

Overall e-commerce penetration is lower in ROI than in the UK, but we are seeing a rise in mobile, which, at 40.3% of digital sales, is higher than the equivalent number in our core market. We see this as an area of future opportunity.

ROI benefits from the product development initiatives from the UK, but we are also trialling 'Pan Pizza', a deeper crust product which has been very successful in the US. It is early days, but franchisee feedback and customer response is encouraging.

We have not opened any new stores in the ROI since 2011, but we are now looking carefully at whether there are store split opportunities in Dublin, where we have some very high sales units.

Germany

Our German business has had a difficult six months as we change our operating framework and focus on developing a store economic model that is attractive to franchisees. During this transition period, we have reorganised the German Head Office, reduced local marketing spend to more appropriate levels and lowered food costs. We have also focussed on our financial reporting to ensure we have better oversight of business performance. With poor performance in several stores, we have taken a decision to close four outlets and have taken a write-off against accounts receivable.

Like-for-like sales have suffered as management focuses on the necessary structural change. The Board continues to believe in the opportunity for Domino's in Germany. Organised local pizza delivery businesses are growing like-for-like sales in mid-single digits and expanding their franchised estate steadily. Our new store in Hamburg, where we have a German franchisee, has delivered positive cash flow within six months and we are looking to open more stores in the city.

We are, however, pursuing a cautious approach to expansion and capital deployment in the country and will ensure we have the right platform and metrics in place before increasing the rate of openings.

Switzerland

Switzerland's like-for-like sales growth in Swiss francs was 2.9% including the impact of a store closure for refit. Currency changes meant that overall system sales were flat. We are encouraged by the continued strengthening sales performance as the year progresses. We anticipate stronger growth in the second half of the year as we open four more stores and relocate three existing stores in good locations across the country.

The management in Switzerland has been strengthened by the secondment of a senior UK operator, who previously worked for a franchisee, to support the execution of the projects in the second half.

Having completed the integration of Switzerland into our Group in 2013, the focus now is to improve the store estate, which is both dated and under-developed. In the first half of 2014, one store underwent a major refurbishment that necessitated a four week closure. A second was relocated within the catchment to a superior position with much greater carry-out potential. These projects have performed well and demonstrate the potential of the market.

Conclusion

The first half of 2014 has been a solid period of progress for the Group. Continued strong sales growth has confirmed the significant opportunity that remains for Domino's in our core UK market and we have a number of ongoing plans to continue maximising this potential.

Equally, the UK performance illustrates the opportunity for the Domino's brand in other markets, as further evidenced by its success elsewhere in the world. Conditions in Germany have proved to be challenging, but I remain determined that we follow our agreed strategy and develop a viable business model.

The cash generation in the first half has meant that the Board now plan to resume its share buyback programme.

Finally, I would like to add my thanks to our franchisees, store employees and Support Centre staff to those of our Chairman. They demonstrate the benefit of our model and their motivation and drive to succeed fuels the growth in our business.

David Wild
Chief Executive Officer
28 July 2014

Chief Financial Officer's review

Overview

I am pleased to report that, for the 26 weeks ended 29 June 2014 ("the period"), the Group has once again delivered first-half growth in system sales, operating profit before exceptional items and pre-exceptional profit before tax.

	29 June 2014	30 June 2013	*Variance (%)*
Group System Sales (£'m)	**375.0**	**326.5**	***14.9%***
UK	344.7	297.1	*16.0%*
ROI	20.9	20.8	*0.3%*
Germany	4.7	3.9	*20.4%*
Switzerland	4.7	4.7	-
Like-for-like sales growth[1]			
UK	11.3%	6.4%	
ROI	3.2%	6.5%	
Germany	(1.7)%	23.8%	
Switzerland	2.9%	7.8%	
Group Operating Profit/(Loss)[2] (£'m)	**24.7**	**22.4**	***10.2%***
UK & ROI	29.8	25.9	*15.3%*
Germany	(4.7)	(3.2)	*(48.8%)*
Switzerland	(0.4)	(0.3)	*(46.2%)*
Group net interest charge[2] (£'m)	(0.2)	(0.2)	-
Group profit before tax[2] (£'m)	24.5	22.2	*10.1%*
Group net exceptional credit /(charge) including tax (£'m)	0.8	(9.9)	-
Group Basic adjusted[2] EPS (pence)	11.6	10.8	*7.4%*

[1]In local currency

[2]Before exceptional items

UK & ROI

The UK & ROI has had a very strong first half of the year with system sales growing by 15.0% and like-for-like sales growth in the UK of 11.3% and in the ROI of 3.2%. We expect that, for the second half of the year, we will benefit from the general upturn in the market and continued local marketing activity. The strong performance in Q4 2013 will, however, provide some tougher comparatives.

UK & ROI operating profit before exceptionals grew 15.3% in the period, the result of strong like-for-like sales growth in our mature stores revenues from the 2013 openings and eight new stores. Excluding £0.5m one-off items relating to changes in Board composition, recognised in operating profit, first half UK & ROI operating profit before exceptionals has grown by 17.3%. This is faster than the growth in system sales, demonstrating the operational gearing within the Domino's model.

The first half of 2014 has seen reduced pressure on the forward pricing of key commodities, in particular milk, other dairy products and some meat proteins, allowing us to pass on decreases in food cost to our franchisees.

Year-to-date in 2014, the average store food basket increased 3.4% year-on-year due to record-high cheese prices in Q4 2013 carrying over into the first half of 2014. However, as all of our key contracts, for 2014, excluding cheese, are now fixed and given that the price of cheese is falling, we are confident that, for the full year and subject to any major events in the commodities market, annualised basket inflation will be between 1-1.5%. The prospect of improved harvests from good UK weather and strong sterling should present further positive opportunities for food costs during 2015.

The ROI has had a steady first half of the year with system sales in sterling remaining static and like-for-like sales growth in euros of 3.2%. This is a positive performance, particularly given strong growth in 2013. City stores have grown well but regional stores are still facing pressure from the previous downturn in the economy. We expect sales to remain steady for the balance of the year.

Germany

Germany has had a challenging start to the year with system sales in sterling growing by 20.4% but like-for-like sales in euros declining by 1.7%.

The transfer of corporate stores to franchisees has been slower than envisaged as we ensure that appropriate operators are put in place. Corporate store losses are higher than anticipated as a result.

Germany's operating loss for the period was £4.7m, driven by delayed store transfers and low sales growth. In addition, a further review of accounts receivable for Germany has resulted in further provision being made for amounts we are not confident of recovering. We have worked hard to rebalance the relationships we have in place with the franchisees in Germany to ensure that this will not be repeated.

In Germany about 60% of our food basket is bought using volume deals that we have in place for the UK and, as such, commodity prices in Germany are following a similar pattern to the UK.

Switzerland

Switzerland's operating loss for the period was £0.4m, due to slow sales at the start of the year and a delay in the store opening schedule. In addition, a store was closed for refurbishment for four weeks, resulting in a loss of sales but still incurring labour costs. We have learnt from this experience and sales in that store improved by 25% since re-opening.

Positive like-for-like growth in the second quarter gives us confidence that we will break even in Q4 2014 and reach profitability in Switzerland in 2015.

Net Interest Charge

The net interest charge for the period was £0.6m (2013: £0.3m). This includes a non-cash amount of £0.1m (2013: £0.1m) arising on the unwinding of the discount on the deferred consideration from the acquisition of Domino's Leasing Limited and £0.2m (2013: £nil) arising on the unwinding of discounts relating to an exceptional onerous contracts in Germany.

Group profit before tax and exceptional items

Profit before tax for the Group before exceptional items for the period was £24.5m (2013: £22.2m), representing 10.1% growth over the previous year.

Exceptional items

Results for the period include a net exceptional credit of £0.8m (2013: charge of £9.9m). The total amount has been excluded from adjusted profits and earnings to show the underlying performance of the business. The exceptional items in the period comprise the following:

- Exceptional operating charge of £0.5m
    - Operating exceptional items include a £0.8m charge relating to the impairment of store assets in Germany and the UK, a £0.1m credit in relation to onerous lease provisions in Germany and the UK and a £0.2m credit in relation to the onerous contract in Germany.
- Non-operating exceptional credit of £1.3m
    - This includes a £0.2m credit relating to the sale of store assets and a £1.1m credit in relation to the release of contingent consideration in respect of Domino's Pizza Switzerland.
- Exceptional interest charge of £0.4m
    - These relate to the unwind of discounts on Domino's Leasing deferred consideration and the onerous contract provision in Germany.
- Exceptional tax credit of £0.4m
    - This represents the net tax effect of the exceptional items referred to above.

Please refer to note 7 for more detail.

Taxation

Excluding the taxation effect of exceptional items, the effective tax rate is 23.0% (2013: 25.2%). The effective tax rate including exceptionals items was 21.1% (2013: 41.8%).

Earnings per Share

Adjusted basic earnings per share for the period is 11.6p, representing 7.4% growth over last year (2013: 10.8p). Adjusted diluted earnings per share for the period is 11.5p, up 7.5% on the prior year (2013: 10.7p).

Unadjusted basic earnings per share for the period is 12.0p, up 155.3% on the prior year (2013: 4.7p) as a result of the impact of the large Germany impairment in 2013. Unadjusted diluted earnings per share for the period of 12.0p was up 155.3% on the prior year (2013: 4.7p).

Dividends and Share Buy Backs

In line with our strategy of returning surplus cash to shareholders, we are pleased to declare an interim dividend for 2014 of 7.81p (2013: 7.10p) per share.

The dividend, which is 1.49 times covered by adjusted earnings (2013: 1.51 times), will be paid on 5 September 2014 to shareholders on the register as at 6 August 2013.

We are also intending to resume the share buyback programme.

Cash flow and net debt

The Group delivered strong cash flows, with adjusted EBITDA increasing by 9.4% to £27.8m (2013: £25.4m). Net cash generated from operating activities of £28.7m (2013: £15.5m) was £13.2m higher than the prior year due to increased profits, reduced taxation outflows and improved working capital since year end 2013.

During the period, outflows of £3.0m of corporation taxes and £1.7m of financial investment were incurred. Included in the financial investment were payments of £0.6m to Commerzbank relating to the acquisition of Domino's Leasing Limited in 2009, £1.1m capital expenditure in relation to software development, and £1.8m capital expenditure in relation to property, plant and equipment.

Overall net cash flow before financing was £26.9m (2013: £11.3m). During the period, we have returned a further £14.6m to shareholders through dividend payments (2013: £12.9m).

In the period, options over 0.1m (2013: 0.8m) shares were exercised generating an inflow of £0.4m (2013: £2.1m).

DP Capital Ltd and Domino's Leasing Ltd continued to provide leasing to franchisees for their in-store equipment as well as the refit of existing stores, with new advances of £1.0m (2013: £0.9m). After repayments, the balance outstanding at 29 June 2014 on these leases was £3.0m (2013: £3.0m). These facilities are financed by a limited recourse facility and the amount drawn down at 29 June 2014 stood at £2.5m (2013: £2.8m).

The Group's adjusted net debt reduced by £19.6m to £3.7m (2013: £23.3m). The Group monitors the ratio of net debt to earnings before interest, taxation, depreciation and amortisation (EBITDA) on a quarterly basis as this is one of the financial covenants for the £45m combined revolving credit facility and term loan. The Group includes within net debt interest bearing loans and borrowings, bank revolving facilities and finance leases, less cash and cash equivalents and excludes non-recourse loans. The ratio of net debt to EBITDA remains exceptionally low at 0.1:1 (2013: 0.4:1) against a covenant of 2.5:1.

Banking facilities

At 29 June 2014 the Group had a total of £55m of banking facilities, of which £7.5m was undrawn, and also had £43.6m of cash on hand. The main facilities are a £30m five-year facility (with an interest rate of 135bpts over LIBOR) and a £15m one-year facility, which attracts an interest rate of LIBOR plus 110bps. The £30m facility expires on 1 August 2017 and the £15m one-year term facility on 31 January 2015. We also have an overdraft of £5.0m, which remains undrawn at 29 June 2014.

The Directors are comfortable that the Group will continue to have sufficient liquidity and headroom going forward.

Capital employed

Non-current assets decreased from £103.9m to £93.1m, primarily as a result of impairment in the second half of 2013, amortisation of intangible assets and a net decrease in property, plant and equipment due to the impairment charge in Germany, partially offset by additions to tangible and intangible assets and a reduction in the deferred tax asset.

Current assets increased from £72.0m to £80.9m. This was predominantly due to the increase in cash.

Current liabilities increased from £60.7m to £67.6m, driven principally by the increase in trade and other payables.

Non-current liabilities decreased from £46.9m to £39.8m, mainly due to the repayment of the minority interest loan in Germany, the release of the contingent consideration relating to Domino's Pizza Switzerland and the utilisation of provisions.

Treasury management

The Group's main treasury risks relate to the availability of funds to meet its future requirements and fluctuations in interest rates. The treasury policy of the Group is determined and monitored by the Board.

The Group monitors its cash resources through short, medium and long-term cash forecasting. Surplus cash is pooled into an interest bearing account. The Group monitors its overall level of financial gearing monthly, with our short- and medium-term forecasts showing underlying levels of gearing well within our targets and banking covenants, as discussed earlier under cash flow, net debt and bank facilities.

In addition the Group has invested in operations outside the United Kingdom and also buys and sells goods and services in currencies other than sterling. As a result the Group is affected by movements in exchange rates, with respect to the euro in particular. It is the Group's policy to mitigate these effects by agreeing fixed euro rates with its franchisees and suppliers wherever possible.

German minority interest

On 26 February 2014, the Group entered into an agreement to purchase the minority shareholding in relation to the German business. This involved the purchase of the remaining 25% shareholding from our non-controlling interest partner, Briskas Limited, for consideration of an option over 3,000,000 Domino's shares in Domino's at an amount of 577.7 pence per share, (equal to 25 pence above the average of the market value for a Domino's share as derived from the Daily Official List for the five business days prior to the date of the agreement). In addition, the 880,000 contingently issuable shares were issued at completion.

We now have full control of the business and this allows us to execute our plan to transition the business smoothly.

Conclusion

In my first half year as CFO I am pleased to report a good result for the Group with sales and profitability in the UK and ROI remaining strong and operational gearing intact.

We have restructured the relationship with our franchisees in Germany to enable them to grow. However, sales growth has been disappointing in the meantime and, while we are confident in the opportunity in this market there is a way to go before we are able to exploit it. The results for our other international business in Switzerland are more encouraging.

The cash generation in the first half of the year has been particularly pleasing demonstrating good financial health and enabling us to continue our policy of returning cash to shareholders.

Sean Wilkins
Chief Financial Officer
28 July 2014

GROUP INCOME STATEMENT

	Note	(Unaudited) 26 weeks ended 29 June 2014 Before exceptional items	Exceptional items (Note 7)	Total	(Unaudited) 26 weeks ended 30 June 2013 Before exceptional items	Exceptional items (Note 7)	Total	52 weeks ended 29 December 2013 Before exceptional items	Exceptional items (Note 7)	Total
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Revenue	3	146,748	-	146,748	130,988	-	130,988	268,902	-	268,902
Cost of sales		(93,858)	-	(93,858)	(83,892)	-	(83,892)	(171,954)	-	(171,954)
Gross profit		52,890	-	52,890	47,096	-	47,096	96,948	-	96,948
Distribution costs		(8,088)	-	(8,088)	(7,776)	-	(7,776)	(15,704)	-	(15,704)
Administrative costs		(20,460)	(453)	(20,913)	(17,231)	(12,314)	(29,545)	(33,970)	(27,520)	(61,490)
		24,342	(453)	23,889	22,089	(12,314)	9,775	47,274	(27,520)	19,754
Share of post tax profits of associates		389	-	389	343	-	343	642	-	642
Operating profit	4	24,731	(453)	24,278	22,432	(12,314)	10,118	47,916	(27,520)	20,396
Profit on the sale of non-current assets and assets held for sale		-	194	194	-	1,745	1,745	-	1,745	1,745
Other gains and losses		-	1,082	1,082						
Profit before interest and taxation		24,731	823	25,554	22,432	(10,569)	11,863	47,916	(25,775)	22,141
Finance income		179	-	179	260	-	260	789	-	789
Finance expense		(412)	(356)	(768)	(444)	(123)	(567)	(1,104)	(236)	(1,340)
Profit before taxation		24,498	467	24,965	22,248	(10,692)	11,556	47,601	(26,011)	21,590
Taxation	8	(5,621)	354	(5,267)	(5,615)	785	(4,830)	(10,089)	622	(9,467)
Profit for the period		18,877	821	19,698	16,633	(9,907)	6,726	37,512	(25,389)	12,123
Profit for the period attributable to:										
Owners of the parent				19,898			7,747			17,568
Non-controlling interests				(200)			(1,021)			(5,445)
				19,698			6,726			12,123
Earnings per share (post exceptional items) (Note 10)										
-Basic (pence)				12.0			4.7			10.7
-Diluted (pence)				12.0			4.7			10.7
Earnings per share (pre exceptional items) (Note 10)										
-Basic (pence)				11.6			10.8			24.0
-Diluted (pence)				11.5			10.7			23.9

GROUP STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited) 26 weeks ended 29 June 2014 £000	(Unaudited) 26 weeks ended 30 June 2013 £000	52 weeks ended 29 December 2013 £000
Profit for the period	19,698	6,726	12,123
Other comprehensive income:			
Exchange differences on retranslation of foreign operations	(199)	388	818
Other comprehensive income for the period, net of tax	(199)	388	818
Total comprehensive income for the period	19,499	7,114	12,941
Total comprehensive income for the year attributable to:			
Owners of the parent	19,699	8,135	18,386
Non-controlling interests	(200)	(1,021)	(5,445)
	19,499	7,114	12,941

GROUP BALANCE SHEET

	Notes	(Unaudited) At 29 June 2014 £000	(Unaudited) At 30 June 2013 £000	At 29 December 2013 £000
Non-current assets				
Intangible assets		10,733	16,255	11,227
Property, plant and equipment	11	57,766	56,222	57,508
Prepaid operating lease charges		1,099	1,367	1,286
Trade and other receivables		5,833	10,635	7,756
Net investment in finance leases		1,992	1,928	1,528
Investments in associates and joint ventures		6,547	5,859	6,158
Deferred tax asset		9,172	11,614	9,417
		93,142	103,880	94,880
Current assets				
Inventories		4,568	7,328	4,249
Trade and other receivables		31,448	38,269	34,366
Net investment in finance leases		1,063	3,573	1,108
Prepaid operating lease charges		195	257	228
Cash and cash equivalents	6	43,611	22,551	31,597
		80,885	71,978	71,548
Total assets		174,027	175,858	166,428
Current liabilities				
Trade and other payables		(43,175)	(36,979)	(40,202)
Deferred income		(283)	(176)	(293)
Financial liabilities	12	(16,112)	(16,687)	(13,960)
Deferred consideration		(1,590)	(1,089)	(1,532)
Current tax liabilities		(4,716)	(5,048)	(3,323)
Provisions		(1,760)	(697)	(2,084)
		(67,636)	(60,676)	(61,394)
Non-current liabilities				
Financial liabilities	12	(31,233)	(33,697)	(33,291)
Deferred income		(1,938)	(2,464)	(2,229)
Deferred consideration		(5,268)	(7,439)	(6,923)
Deferred tax liabilities		(172)	(431)	(167)
Provisions		(1,224)	(2,846)	(2,270)
Total liabilities		(107,471)	(107,553)	(106,274)
Net assets		66,556	68,305	60,154
Shareholder's equity				
Called up share capital		2,586	2,570	2,570
Share premium account		23,981	20,027	20,156
Capital redemption reserve		425	425	425
Treasury share reserve		(1)	(1)	(1)
Currency translation reserve		561	330	760
Other reserve		-	3,432	3,432
Retained earnings		39,004	41,522	37,236
Equity shareholder's funds		66,556	68,305	64,578
Non-controlling interests		-	-	(4,424)
Total equity		66,556	68,305	60,154

GROUP STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium Account	Capital Redemption Reserve	Capital Reserve - Own shares	Currency Translation Reserve	Other Reserve	Retained Earnings	Equity Shareholder's Funds	Non-Controlling Interests	Total Equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 30 December 2012	**2,557**	**17,932**	**425**	**(9)**	**(58)**	**3,432**	**45,028**	**69,307**	**1,021**	**70,328**
Profit for the period	-	-	-	-	-	-	7,747	7,747	(1,021)	6,726
Other comprehensive income – exchange differences	-	-	-	-	388	-	-	388	-	388
Total comprehensive income for the period	-	-	-	-	388	-	7,747	8,135	(1,021)	7,114
Proceeds from share issue	13	2,095	-	-	-	-	-	2,108	-	2,108
Share transaction charges	-	-	-	-	-	-	(21)	(21)	-	(21)
Vesting of LTIP grants	-	-	-	8	-	-	(14)	(6)	-	(6)
Share option and LTIP charge	-	-	-	-	-	-	836	836	-	836
Tax on employee share options	-	-	-	-	-	-	882	882	-	882
Equity dividends paid	-	-	-	-	-	-	(12,936)	(12,936)	-	(12,936)
Shares issued to EBT		-	-		-	-	-	-	-	-
At 30 June 2013	**2,570**	**20,027**	**425**	**(1)**	**330**	**3,432**	**41,522**	**68,305**	**-**	**68,305**
Profit for the period	-	-	-	-	-	-	9,821	9,821	(4,424)	5,397
Other comprehensive income – exchange differences	-	-	-	-	430	-	-	430	-	430
Total comprehensive income for the period	-	-	-	-	430	-	9,821	10,251	(4,424)	5,827
Proceeds from share issue	-	129	-	-	-	-	-	129	-	129
Share transaction charges	-	-	-	-	-	-	(1)	(1)	-	(1)
Vesting of LTIP grants	-	-	-	-	-	-	(1,704)	(1,704)	-	(1,704)
Share option and LTIP charge	-	-	-	-	-	-	(223)	(223)	-	(223)
Tax on employee share options	-	-	-	-	-	-	(506)	(506)	-	(506)
Equity dividends paid	-	-	-	-	-	-	(11,673)	(11,673)	-	(11,673)
Non-Controlling Interest movement	-	-	-	-	-	-	-	-	-	-
At 29 December 2013	**2,570**	**20,156**	**425**	**(1)**	**760**	**3,432**	**37,236**	**64,578**	**(4,424)**	**60,154**
Profit for the period	-	-	-	-	-	-	19,898	19,898	(200)	19,698
Other comprehensive income – exchange differences	-	-	-	-	(199)	-	-	(199)	-	(199)
Total comprehensive income for the period	-	-	-	-	(199)	-	19,898	19,699	(200)	19,499
Proceeds from share issue	16	3,825	-	-	-	(3,432)	-	409	-	409
Share transaction charges	-	-	-	-	-	-	(142)	(142)	-	(142)
Vesting of LTIP grants	-	-	-	-	-	-	-	-	-	-
Share option and LTIP charge	-	-	-	-	-	-	538	538	-	538
Tax on employee share options	-	-	-	-	-	-	649	649	-	649
Equity dividends paid	-	-	-	-	-	-	(14,551)	(14,551)	-	(14,551)
Non-Controlling Interest movement		-	-		-	-	(4,624)	(4,624)	4,624	-
At 29 June 2014	**2,586**	**23,981**	**425**	**(1)**	**561**	**-**	**39,004**	**66,556**	**-**	**66,556**

GROUP CASHFLOW STATEMENT

	26 weeks ended 29 June 2014	26 weeks ended 30 June 2013	52 weeks ended 29 December 2013
Cash flows from operating activities	**£000**	**£000**	**£000**
Profit before taxation	24,965	11,556	21,590
Net finance costs	589	307	551
Share of post tax profits of associates	(389)	(343)	(642)
Amortisation and depreciation (including accelerated depreciation)	2,693	2,881	5,798
Impairment	741	11,782	19,599
Profit / (loss) on disposal of non-current assets	194	-	(109)
Profit on disposal of subsidiary undertaking	-	-	-
Profit on disposal of interest in joint venture	-	(1,745)	(1,745)
Release of contingent consideration	(1,082)	-	-
Share option and LTIP charge (including accelerated LTIP charge)	538	706	613
Other non cash movements	-	-	326
(Increase)/decrease in inventories	(344)	29	3,089
Decrease /(increase) in receivables	2,263	(2,198)	1,702
Increase/(decrease) in payables	3,140	(4,101)	(3,527)
(Decrease)/ increase in deferred income	(301)	171	52
(Decrease)/ increase in provisions	(1,384)	67	2,021
Cash generated from operations	31,623	19,112	49,318
UK corporation tax paid	(2,672)	(3,630)	(8,330)
Overseas corporation tax paid	(298)	-	(255)
Net cash generated by operating activities	28,653	15,482	40,733
Cash flows from investing activities			
Interest received	496	11	154
Dividends received from associates	-	62	62
Decrease in loans to associates and joint ventures	264	114	404
Decrease / (increase) in loans to franchisees	1,745	(149)	529
Refinancing of franchisee loans	-	-	1,366
Payments to acquire finance lease assets	(953)	(941)	(1,308)
Receipts from repayment of franchisee finance leases	490	996	4,214
Purchase of property, plant and equipment	(1,774)	(4,666)	(8,145)
Deferred consideration for Domino's Leasing	(615)	(914)	(1,395)
Purchase of other non-current assets	(1,123)	(1,276)	(2,835)
Receipts from the sale of interest in joint venture & other non-current assets	(265)	2,616	2,709
Net cash used by investing activities	(1,735)	(4,147)	(4,245)
Cash inflow before financing	26,918	11,335	36,488
Cash flow from financing activities			
Interest paid	(671)	(399)	(875)
Issue of ordinary share capital	409	2,108	2,237
Payments under LTIP schemes	(140)	-	(1,718)
New long-term loans	665	1,674	861
New short term loans	2,020		
New long-term loans – EBT	-	-	965
Repayment of long-term loans	(2,576)	(947)	(4,191)
Equity dividends paid	(14,551)	(12,936)	(24,609)
Net cash used by financing activities	(14,844)	(10,500)	(27,330)
Net increase in cash and cash equivalents	12,074	835	9,158
Cash and cash equivalents at beginning of period	31,597	21,975	21,975
Foreign exchange (loss) / gain on cash and cash equivalents	(60)	(259)	464
Cash and cash equivalents at end of period	43,611	22,551	31,597

NOTES TO THE GROUP INTERIM REPORT

1. GENERAL INFORMATION

Domino's Pizza Group plc (the "Company") is a public limited company incorporated in the United Kingdom under the Companies Act (registration number 03853545). The Company is domiciled in the United Kingdom and its registered address is Domino's Pizza Group plc, 1 Thornbury, West Ashland, Milton Keynes, MK6 4BB. The Company's ordinary shares are traded on the London Stock Exchange. Further copies of the Interim Report and Annual Report and Accounts may be obtained from the address above.

2. BASIS OF PREPARATION

The interim financial information has been prepared on the basis of International Financial Reporting Standards ("IFRS"), as adopted by the European Union, which are effective at 29 June 2014 and are in accordance with the accounting policies adopted in the preparation of the Group's annual report and accounts for the 52 weeks ended 29 December 2013.

This interim report has been prepared in accordance with IAS 34 'Interim Financial Reporting'. The financial information contained in this interim report does not constitute statutory accounts as defined by Section 435 of the Companies Act 2006.

The interim results for the 26 weeks ended 29 June 2014 and the comparatives to 30 June 2013 are unaudited, but have been reviewed by the auditors. A copy of their review report has been included at the end of this report.

The financial information for the 52 weeks ended 29 December 2013 has been extracted from the Group financial statements for that period. These published financial statements were reported on by the auditors without qualification or an emphasis of matter reference and did not include a statement under section 498(2) or (3) of the Companies Act 2006 and have been delivered to the Registrar of Companies.

The interim financial information has been prepared on the going concern basis. This is considered appropriate, given the considerable financial resources of the Group and the current position of the banking facilities, as outlined in the Chief Financial Officer's Review, together with long-term contracts with its master franchisor, its franchisees and its key suppliers.

The interim financial information is presented in sterling and all values are rounded to the nearest thousand pounds (£000), except when otherwise indicated.

Changes in accounting policy

Other new standards and interpretations applied by the Group are consistent with those disclosed in the Group's Annual Report and Accounts for the 52 weeks ended 29 December 2013. These do not have a material impact on this interim report.

3. REVENUE

Revenue recognised in the income statement is analysed as follows:

	(Unaudited) 26 weeks ended 29 June 2014 £000	(Unaudited) 26 weeks ended 30 June 2013 £000	52 weeks ended 29 December 2013 £000
Royalties and sales to franchisees	138,390	123,365	253,686
Rental income on leasehold and freehold property	8,296	7,537	15,057
Finance lease income	62	86	159
	146,748	130,988	268,902

NOTES TO THE GROUP INTERIM REPORT

4. SEGMENT INFORMATION

For management purposes, the Group is organised into four geographical business units based on the territories governed by the Master Franchise Agreements ("MFA"): the United Kingdom, Ireland, Germany and Switzerland. These are considered to be the Group's operating segments as the information provided to the Executive Directors of the Board, who are considered to be the chief operating decision makers, is based on these territories. Revenue included in each includes all sales (royalties, Supply Chain Centre sales, rental income and finance lease income) made to franchise stores and sales by corporate stores located in that segment. Segment results for the Ireland segment include both the Republic of Ireland and Northern Ireland as both of these territories are served by the same Supply Chain Centre.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Group financing (including finance costs and finance revenue) and income taxes are managed on a group basis and are not allocated to operating segments.

Unallocated assets include cash and cash equivalents and taxation assets.

Operating Segments

	(Unaudited) 26 weeks ended 29 June 2014				
	Switzerland	Germany	Ireland	United Kingdom	Total
	£000	£000	£000	£000	£000
Segment revenue					
Sales to external customers	5,887	3,239	10,716	126,906	146,748
Results					
Segment result	(386)	(4,714)	2,502	26,940	24,342
Exceptional items		(208)	-	(245)	(453)
Share of profit of associates	-	-	-	389	389
Group operating profit	(386)	(4,922)	2,502	27,084	24,278
Profit on sale of non-current assets					194
Other gains and losses					1,082
Net finance costs					(589)
Profit before taxation					24,965
Assets					
Segment assets	7,162	4,089	3,501	99,945	114,697
Equity accounted investments	-	-	-	6,547	6,547
Unallocated assets	-	-	-		52,783
Total assets	7,162	4,089	3,501	106,491	174,027

NOTES TO THE GROUP INTERIM REPORT

4. SEGMENT INFORMATION (continued)

	(Unaudited) 26 weeks ended 30 June 2013				
	Switzerland	Germany	Ireland	United Kingdom	Total
	£000	£000	£000	£000	£000
Segment revenue					
Sales to external customers	5,729	3,075	10,250	111,934	130,988
Results					
Segment result	(264)	(3,168)	2,266	23,255	22,089
Exceptional items	-	(11,782)	(151)	(381)	(12,314)
Share of profit of associates	-	-	-	343	343
Group operating profit	(264)	(14,950)	2,115	23,217	10,118
Profit on sale of non-current assets					1,745
Net finance costs					(307)
Profit before taxation					11,556
Assets					
Segment assets	8,947	14,431	3,100	109,356	135,834
Equity accounted investments	-	-	-	5,859	5,859
Unallocated assets	-	-	-		34,165
Total assets	8,947	14,431	3,100	115,215	175,858

Operating Segments

	52 weeks ended 29 December 2013				
	Switzerland	Germany	Ireland	United Kingdom	Total
	£000	£000	£000	£000	£000
Segment revenue					
Sales to external customers	11,282	6,948	20,847	229,825	268,902
Results					
Segment result	(638)	(7,002)	4,541	50,373	47,274
Exceptional items	42	(26,466)	(154)	(942)	(27,520)
Share of profit of associates	-	-	-	642	642
Group operating profit	(596)	(33,468)	4,387	50,073	20,396
Profit on sale of subsidiary undertaking	-	-	-	1,745	1,745
	(596)	(33,468)	4,387	51,818	22,141
Net finance costs					(551)
Profit before taxation					21,590
Assets					
Segment assets	9,646	5,433	3,521	100,656	119,256
Equity accounted investments	-	-	-	6,158	6,158
Unallocated assets	-	-	-	-	41,014
Total assets	9,646	5,433	3,521	106,814	166,428

NOTES TO THE GROUP INTERIM REPORT

5. IMPAIRMENTS

German Master Franchise Agreement (MFA) and related costs

The performance in 2013 for the German business was below expectations, particularly in respect of the corporate stores. The Group therefore took the decision to transition all but one of its corporate stores across to franchisee ownership and to proceed more cautiously with its expansion in Germany, opening fewer stores than initially expected and reducing its expectations for sales and profit growth.

As a result of this, at the year end, management expected the German business to break even later than originally anticipated and therefore re-assessed the carrying value of its German MFA. In order to do this, management prepared updated financial budgets for the next five years, taking into account the following key considerations:

- Lower average weekly unit sales ("AWUS") growth for existing stores than initially anticipated, based on actual trends observed during the period and the actual AWUS achieved. This has been partially offset by transferring the stores to franchisee ownership, which is expected to have a positive impact on AWUS, as compared to the performance of the stores when they were under corporate ownership
- Lower AWUS expectations for new stores, based on the performance of new stores opened in the period. Again, new stores will be operated as franchise stores, rather than corporate stores, and management therefore expects future new store AWUS to be higher than the AWUS of the new stores opened during the period
- Reduced store openings, due to the fact that the Group will not operate corporate stores in the future, focussing instead on a pure franchise model, establishing viable store level economics and attracting suitably experienced, well-funded franchisees
- Higher labour costs, as a result of actual labour costs experienced in the period and also the anticipated increase in the minimum wage, which is expected to be rolled out across Germany in the future

Management then performed a value in use calculation for the MFA, using these updated five year budgets. Cash flows beyond five years for the remaining term of the MFA were then extrapolated based on the long term average growth rate for Germany of 1.4%. These projected cash flows were then discounted using a discount rate of 13%.

As a result of updating its value in use calculation, management determined that the carrying value of the MFA is fully impaired and recorded an impairment charge of £9,267,000 as an operating exceptional item within the Group Income Statement in 2013.

German corporate stores

The Group also carried out analysis to test for impairment in the carrying value of property, plant and equipment that related to the 15 corporate stores in Germany.

A value in use calculation was performed as noted below, using the revised five year sales budgets referred to above and factoring in cost increases in a number of areas, as a result of certain costs (notably labour costs) being higher than originally expected. These cash flows were not extrapolated beyond the initial ten year period, given the expected useful life of the assets concerned.

The discount rate used to discount the forecast cash flows was 13%.

As a result of this analysis, the Group recognised an impairment charge of £4,945,000 against the carrying value of its property, plant and equipment in the 15 stores. This was recorded as an operating exceptional item within administrative costs in the Group Income Statement in 2013.

In the period, a further £302,000 of impairment has been recognised as an exceptional charge line in the Group Income statement relating to property, plant and equipment in the corporate stores that have yet to be transitioned.

5. IMPAIRMENTS (continued)

Property, plant & equipment

Given the reduced sales, profit and cash flow expectations for the German CGU, in 2013 management also assessed the carrying value of its property, plant and equipment for impairment, using the revised budgets referred to above. As a result of this assessment, management considered the carrying value of its Supply Chain Centre assets and also a number of assets at its Dusseldorf head office to be fully impaired and recorded an impairment charge of £2,164,000 as an operating exceptional item within the Group Income Statement in 2013.

In addition, the Group also started in 2013 a project in respect of new UK store formats, opening six stores in Extra motorway service stations that were run by franchisees under management agreements with the Group. In 2013 the Group had a capital outflow in respect of the stores of £439,000 and, as this was an experimental trial, the Group agreed to underwrite the losses incurred in respect of the stores for the life of the trial (which was anything up to 10 years as per the relevant franchise agreements).

During the period, the Group carried out analysis to test for impairment in the carrying value (cost) of the store assets. A value in use calculation was performed, using 10 year sales budgets and factoring in estimated losses underwritten based on losses underwritten since inception. These cash flows were not extrapolated beyond the initial ten year period, given the expected useful life of the assets concerned.

The discount rate used to discount the forecast cash flows was 8%.

As a result of this analysis, the Group determined that the carrying value of the assets was fully impaired and has therefore recognised a full impairment charge of £439,000. This was recorded as an operating exceptional item within administrative costs in the Group Income Statement.

Website and domain costs

Management also assessed the carrying value of capitalised website and development costs, given the reduced cash flow expected to be generated by the business. Following this review, management determined that these assets were fully impaired and recorded an impairment charge of £295,000 as an operating exceptional item within the Group Income Statement in 2013.

German goodwill impairment

The Group is obliged to test goodwill for impairment on an annual basis, due to the goodwill being deemed to have an indefinite useful life.

In order to perform this test, management is required to compare the carrying value of the relevant cash generating unit (“CGU”) including the goodwill with its recoverable amount. For these purposes, management considers the Germany business segment to be the most appropriate, separately identifiable CGU, as the cash flows generated by its assets are largely independent from the rest of the Group and the business is not monitored by management at a lower level of disaggregation. In order to identify the carrying value of the CGU, management has taken the operating assets of the German CGU, adjusting for any impairment already recognised in respect of assets other than goodwill and notionally grossing up the goodwill element to include the amount of goodwill attributable to the non-controlling interest.

To assess the recoverable amount of the CGU, management performed a value in use calculation, based on the revised five year sales budgets referred to above and extrapolating cash flows beyond five years based on the long term average growth rate for Germany of 1.4%. These projected cash flows were then discounted using a discount rate of 13%.

As a result of comparing the carrying value of the CGU with its recoverable amount, management determined that the carrying value of the German goodwill is fully impaired and recorded an impairment charge of £2,928,000 as an operating exceptional item within the Group Income Statement in 2013.

In all cases noted above, a reasonably possible change in assumptions would not have resulted in a reduced impairment.

NOTES TO THE GROUP INTERIM REPORT

6. CASH AND CASH EQUIVALENTS

	(Unaudited) At 29 June 2014 £000	(Unaudited) At 30 June 2013 £000	At 29 December 2013 £000
Cash at bank and in hand	8,364	7,777	8,739
Short term deposits	35,247	14,774	22,858
	43,611	22,551	31,597

7. EXCEPTIONAL ITEMS

Recognised as part of operating profit
The Group has incurred the following exceptional charges during the financial period:

	(Unaudited) 26 weeks ended 29 June 2014 £000	(Unaudited) 26 weeks ended 30 June 2013 £000	52 weeks ended 29 December 2013 £000
Impairment costs (see note 5)	741	11,782	19,599
Acquisition costs and restructuring costs relating to Domino's Pizza Switzerland	-	-	(42)
Acquisition costs and one off costs relating to new UK joint ventures	-	165	152
Onerous lease provision	(126)	227	949
Restructuring and reorganisation costs	-	140	1,119
Transition of German corporate stores	(162)	-	1,981
Accounts receivable in Germany	-	-	3,438
Domino's Leasing Deferred Consideration	-	-	324
	453	12,314	27,520

Impairment costs

The Group incurred one-off impairment costs of £19,599,000 in 2013, relating to its operations in Germany being £9,627,000 recognised in respect of the German MFA and £7,404,000 in respect of property, plant and equipment in the 15 corporate stores as well as property, plant, equipment and software relating to the head office. In addition, an impairment of £2,928,000 was recognised in respect of the goodwill recognised on acquisition. More detailed information on these impairment charges is provided in note 5.

Of the total impairment charge incurred in 2013, £11,782,000 was incurred in the period to 30 June 2013. An Impairment of £6,738,000 was recognised in respect of the German MFA and £4,370,000 in respect of property, plant and equipment in the 15 corporate stores. In addition, an impairment of £674,000 was recognised in respect of the goodwill recognised on acquisition.

In the period, a further £302,000 of impairment has been recognised in respect of the German corporate stores – see note 5 for further details.

Acquisition costs and restructuring costs relating to Domino's Pizza Switzerland
Costs of £2,365,000 were incurred during the period to 30 December 2012 in relation to the acquisition and restructuring of Domino's Pizza Switzerland. This included the recognition of a £1,347,000 provision for restructuring costs and one-off costs relating to the acquisition of £1,018,000. During the period to 29 December 2013, £42,000 of this provision was released due to

7. EXCEPTIONAL ITEMS (continued)

changes to the restructuring plan. This credit was recognised as exceptional to be consistent with where the original cost was recognised.

Acquisition costs and one off costs relating to new UK joint ventures
Costs of £152,000 were incurred in 2013 in relation to the acquisition and transfer of stores into two UK joint ventures with third party franchisees.

Onerous lease provision
UK
A provision of £1,488,000 was held as at 29 December 2013, in relation to the UK and Irish rent obligation for three Domino's stores closed in 2011 and other onerous leases identified. During the current period, there was a net release of the provision of £194,000, which has been recognised as an was an exceptional credit to the Group Income Statement. This includes a small increase in respect of one Irish store and one UK store and a reduction in relation to one UK store following revision of a sub-tenancy agreement.

During the period to 29 December 2013, there was an exceptional charge of £278,000. This was to take account of an additional onerous lease identified in the UK, an increase in respect of one Irish store and a reduction relating to one UK store. A provision was also taken against debtors relating to onerous leases in the period to 29 December 2013 of £154,000.

Germany
In 2013, a provision of £517,000 relating to onerous leases was also recognised in Germany, in relation to seven properties. Two of the properties were occupied by poorly performing stores, which had been closed by the end of the period and management was not confident that sub-tenants would be identified who would be willing to take on these properties at full rent. The remaining five properties had previously been identified as sites for new stores, but, as at the year end, the Group had not secured franchisees for these sites.

During the period, management reviewed the level of existing provisions and also considered whether any new provisions were required. As a result of this review, there was a net increase in the provision of £68,000, which has been recognised as an exceptional charge to the income statement.

The total credit to exceptional items for the UK and Germany relating to onerous lease provisions was therefore £126,000.

Restructuring and reorganisation
In 2012 and 2013, the Group undertook a review of all of its head office central overhead departments in order to create efficiencies and streamline processes. As a result of this review, restructuring and reorganisation costs of £184,000 were incurred to 29 December 2013, due to the continued roll out of the efficiency model.

A similar review was undertaken during 2013 for the German business. This was largely driven by the decision to seek to transition all but one of the corporate stores across to franchisee ownership and to move the business to a fully franchised model which has allowed the Group to rationalise the German structure in a number of areas. In the period to 29 December 2013, the costs incurred in Germany amounted to £935,000.

Transition of German corporate stores
In July 2013, the Group took a decision to transition all but one of the corporate stores held in Germany to franchisees, given the poor performance of these stores. One of these agreements was with an existing franchisee of both the UK and Germany to sell five of the poorest performing stores in Dusseldorf. As part of this agreement, the Group entered into a contract that was considered onerous in nature, due to the financial commitments made to the franchisee.

The Group also entered into a service contract with a supplier in Germany in 2013, which, following the decision to transition the corporate stores, was no longer deemed suitable for the remaining business and, as a result, the Group was seeking to exit from the contract as soon as possible. Therefore, the Group recognised an exceptional charge in 2013, representing potential exit costs.

The Group also recognised other exceptional costs predominantly in respect of adviser fees on the transition of the stores.

7. EXCEPTIONAL ITEMS (continued)

In the period, the Group has revisited the onerous contract in respect of the stores transitioned at the end of 2013. Management determined that a revision was necessary to the agreement, in order to focus on the better performing stores and, as a result, has agreed with the franchisee to temporarily close 4 of the stores transitioned until the remaining stores became profitable. The Group has recognised an exceptional credit of £162,000 in respect of this revision to the agreement.

Amounts receivable in Germany

During the period to 29 December 2013, management assessed the recoverability of its receivables in Germany, in light of the poor performance of this business compared to initial expectations and the issues faced by certain operators in the territory.

Following this review, management was not confident of recovering balances totalling £3,438,000 and, therefore, established a provision for this amount.

Recognised below operating profit

Profit on the sale of store assets
During the period, the Group recognised a profit of £194,000 on the sale of store assets held.

Unwinding of discount
Included within finance costs is a charge of £107,000 (2013: £123,000) relating to the unwinding of the discount on the deferred consideration payable in relation to the acquisition of Domino’s Leasing Limited and £249,000 relating to the unwinding of the discount on the onerous contract provision in Germany.

Release of contingent consideration relating to Domino’s Pizza Switzerland
During the period, management undertook a review of the contingent consideration for Domino’s Pizza Switzerland and recognised that it was highly improbable that any further consideration would be paid, based on the sales performance in the territory. As such, the Group has recognised an exceptional credit of £1,082,000 relating to the release of the contingent consideration.

Taxation

The tax charge has also been increased by £62,000 due to the tax impact of the exceptional items detailed above.

During the period the Group has recognised an exceptional tax credit of £416,000 (2013: £nil) in relation to an adjustment to deferred tax relating to Domino’s Leasing Limited.

8. INCOME TAX

	(Unaudited) 26 weeks ended 29 June 2014 £000	(Unaudited) 26 weeks ended 30 June 2013 £000	52 weeks ended 29 December 2013 £000
Current income tax			
Current income tax charge	5,033	4,339	7,581
Deferred income tax			
Relating to origination and reversal of temporary differences	234	491	1,886
Income tax expense	5,267	4,830	9,467

8. INCOME TAX (continued)

In his budget of 20 March 2013, the Chancellor of the Exchequer announced further changes to the corporation tax rates, which will have an effect on the Group's current and future tax position. The changes announced were further decreases to the standard rate of corporation tax to 20%, effective 1 April 2015 and all were substantively enacted by the balance sheet date.

The Finance Act 2014, which received royal assent in July 2014, includes new accelerated payment provisions which allow HMRC in certain circumstances the powers to require companies to transfer funds to HMRC whilst discussions take place between the parties about certain outstanding tax matters.

The calculation of the Group's tax position necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority. The final resolution of certain these items may give rise to material income statement and or cash flow variances

9. DIVIDENDS PAID AND PROPOSED

	(Unaudited) 26 weeks ended 29 June 2014 £000	(Unaudited) 26 weeks ended 30 June 2013 £000	52 weeks ended 29 December 2013 £000
Declared and paid during the period:			
Final dividend for 2012 7.90p (2011: 6.80p)	-	12,936	12,936
Interim dividend for 2013 7.10p (2012: 6.60p)	-	-	11,673
Final dividend for 2013 8.80p (2012: 7.90p)	14,551	-	-
	14,551	12,936	24,609

The directors declare an interim dividend of 7.81p per share of £12,855,000 (2013: 7.10p £11,673,000).

10. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would have been issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	(Unaudited) 26 weeks ended 29 June 2014 £000	(Unaudited) 26 weeks ended 30 June 2013 £000	52 weeks ended 29 December 2013 £000
Profit for the period	19,698	6,726	12,123
Adjusted for – non-controlling interests	200	1,021	5,445
Profit attributable to owners of the parent	19,898	7,747	17,568

10. EARNINGS PER SHARE (continued)

	(Unaudited) At 29 June 2014 No.	(Unaudited) At 30 June 2013 No.	At 29 December 2013 No.
Reconciliation of basic and diluted weighted average number of shares:			
Basic weighted average number of shares (excluding treasury shares)	165,084,656	163,498,395	163,737,665
Dilutive potential ordinary shares:			
Employee share options	586,001	753,408	614,168
Reversionary interests	243,094	606,930	270,470
Diluted weighted average number of shares	165,913,751	164,858,733	164,622,303

	(Unaudited) 26 weeks Ended 29 June 2014	(Unaudited) 26 weeks Ended 30 June 2013	52 weeks ended 29 December 2013
Basic earnings per share (pence)	12.0	4.7	10.7
Diluted earnings per share (pence)	12.0	4.7	10.7

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these interim financial statements.

In addition, the performance conditions for reversionary interests granted over nil (2013: 3,343,340) shares and share options granted over 3,143,856 (2013: 3,319,310) shares have not been met in the current financial period and therefore the dilutive effect of the number of shares that would have been issued at the period end have not been included in the diluted earnings per share calculation.

Earnings per share before exceptional items

The Group presents, as exceptional items on the face of the income statement, those material items of income and expense that, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better the trends in financial performance.

NOTES TO THE GROUP INTERIM REPORT

10. EARNINGS PER SHARE (continued)

To this end, basic and diluted earnings from continuing operations per share is also presented on this basis and using the weighted average number of shares for both basic and diluted amounts as per the table above. The amounts for earnings per share from continuing operations before exceptional items are as follows:

	(Unaudited) 26 weeks ended 29 June 2014	(Unaudited) 26 weeks ended 30 June 2013	53 weeks Ended 29 December 2013
Adjusted basic earnings per share (pence)	11.6	10.8	24.0
Adjusted diluted earnings per share (pence)	11.5	10.7	23.9

Net profit before exceptional items and attributable to equity holders of the parent is derived as follows:

	(Unaudited) 26 weeks ended 29 June 2014 £000	(Unaudited) 26 weeks ended 30 June 2013 £000	52 weeks ended 29 December 2013 £000
Profit for the period	19,698	6,726	12,123
Adjusted for – non-controlling interests	200	1,021	5,445
Profit attributable to owners of the parent	19,898	7,747	17,568
Exceptional items after tax – attributable to owners of the parent	(821)	9,907	21,805
- Acquisition costs and restructuring costs relating to Domino's Pizza GmbH (Switzerland)	-	-	(42)
- Release of contingent consideration relating to Domino's Pizza Switzerland	(1,082)		
- Acquisition costs and one off costs relating to new UK joint ventures	-	165	152
- Onerous lease provision	(126)	227	949
-Restructuring and reorganisation	-	140	1,119
- Impairment	741	11,782	19,599
- Profit on the sale of associate/non current assets	(194)	(1,745)	(1,745)
- Unwinding of discount	356	123	236
- Taxation	62	(785)	(2,250)
- Change in deferred tax asset	(416)	-	1,628
-Transition of corporate stores in Germany	(162)		1,981
-Receivables Germany	-		3,438
-Domino's Leasing deferred consideration			324
-Impact of minority interest related exceptionals			(3,584)
Profit before exceptional items attributable to owners of the parent	19,077	17,654	39,373

NOTES TO THE GROUP INTERIM REPORT

11. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment additions in the period

During the 26 weeks ended 29 June 2014, the Group acquired assets with a cost of £1.8m (2013: £4.7m).

Capital commitments

At 29 June 2014, the Group had capital commitments of £nil (2013: £nil).

12. INTEREST-BEARING LOANS AND BORROWINGS

Bank revolving facility

On 1 August 2012, the Group completed the refinancing of the existing £25,000,000 revolving credit facility with Barclays Bank plc, increasing it to a £30,000,000 facility. The facility was fully drawn down at 29 June 2014 and has a five year term. The interest is charged at 1.35% (2013: 1.35%) per annum above LIBOR in addition to a 0.5% utilisation fee. Arrangement fees of £298,000 directly incurred in relation to the re-financing were included in the carrying value of the facility and are being amortised over the term of the facility; at 29 June 2014, amortisation of £134,000 has been recognised against the carrying value of the facility. The facility is secured by an unlimited cross guarantee between the Company, Domino's Pizza UK & Ireland Limited, DPG Holdings Limited, DP Realty Limited, DP Pizza Limited and DP Group Developments Limited as well as negative pledges given by the Company, Domino's Pizza UK & Ireland Limited, DPG Holdings Limited, DP Realty Limited, DP Pizza Limited and DP Group Developments Limited.

On 31 January 2014, the Group increased this facility further to a £45,000,000 facility (being a £30,000,000 revolving credit facility and £15,000,000 term loan) in order to repay the Employee Benefit Trust loan as described below. Interest charged on the additional facility is 1.10% per annum above LIBOR and the term loan matures on 31 January 2015. The facility is secured by an unlimited cross guarantee between the Company, Domino's Pizza UK & Ireland Limited, DPG Holdings Limited, DP Realty Limited, DP Pizza Limited and DP Group Developments Limited as well as negative pledges given by the Company, Domino's Pizza UK & Ireland Limited, DPG Holdings Limited, DP Realty Limited, DP Pizza Limited and DP Group Developments Limited.

Bank overdraft facility

On 5 October 2012, the Company obtained an overdraft facility from Barclays Bank plc for a maximum limit of £5,000,000 for working capital purposes. The interest is charged at 1.25% per annum above LIBOR. At 29 June 2014 there was £nil drawdown on the facility (2013: £nil).

Other loans

Other loans include loans entered into to acquire assets which are then leased onto franchisees under finance lease arrangements. The Group has an asset finance facility of £5,000,000 (2013: £5,000,000) with a term of 5 years. The balance drawn down on this facility and held within 'other loans' as at 29 June 2014 is £2,455,000 (2013: £2,796,000). The loans are repayable in equal instalments over a period of up to five years. The loans are secured by a limited guarantee and indemnity by the Company and Domino's Pizza UK & Ireland Limited (limited to an annual sum of £300,000) and a mortgage charge over the assets financed. The interest rate on these loans is fixed at an average of 5.77% (2013: 5.30%).

Also included within other loans is a balance of £nil (2013: £2,140,000) in relation to a loan due to the Non-Controlling Interest in Domino's Germany. This loan was acquired as part of the acquisition of Domino's Pizza Germany and was repaid on 26 February 2014 as part of the acquisition of the minority shareholding of 25% from our non-controlling interest partner Briskas Limited.

Non-recourse loans

Non-recourse loans of £nil (2013: £2,509,000) were acquired with Domino's Leasing Limited. The loans are repayable over terms of up to six years and bear interest at 0.5% above LIBOR. The loans were secured over the related lease receivables and were repaid in October 2013 when the related lease receivables were settled in full.

NOTES TO THE GROUP INTERIM REPORT

13. SHARE-BASED PAYMENTS

The expense recognised for share-based payments in respect of employee services received during the 26 weeks to 29 June 2014 is £538,000 (2013: £836,000). This all arises on equity settled share-based payment transactions.

14. RELATED PARTY TRANSACTIONS

During the 26 weeks ended 29 June 2014, the Group entered into transactions, in the ordinary course of business, with related parties. Transactions entered into and trading balances outstanding at 29 June 2014, with related parties, are as follows:

	Sales to related party £000	Amounts owed by related party £000
Associates and joint ventures		
29 June 2014	9,688	571
30 June 2013	9,328	4,633
29 December 2013	16,707	689

15. ANALYSIS OF NET DEBT

	(Unaudited) At 29 June 2014 £000	(Unaudited) At 30 June 2013 £000	At 29 December 2013 £000
Bank loan EBT	15,000	13,000	13,000
Other loans	2,455	2,796	2,213
Bank revolving facility	29,797	29,789	29,814
Finance leases	93	221	134
Less: cash and cash equivalents	(43,611)	(22,551)	(31,597)
Adjusted net debt	3,734	23,255	13,564
Domino's Germany Non-controlling interest loan	-	2,140	2,090
Non-recourse loans – Domino's Leasing	-	2,509	-
Net debt	3,734	27,904	15,654

16. EVENTS AFTER THE BALANCE SHEET DATE

On 3 July 2014 the Group entered into an agreement to purchase the remaining 50% shareholding of Deutsche Dominoid GmbH, a joint venture held in Germany. Consideration and associated costs were £30,725.

17. PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group in terms of preventing or restricting execution of our strategy during the period under review and for the remainder of the financial period have not materially changed from those set out on pages 23 to 26 of the Domino's Pizza Group plc Annual Report and Accounts 2013. However, the Company has appointed new Executive Directors and therefore this is no longer considered to be a risk for the remainder of the financial period.

NOTES TO THE GROUP INTERIM REPORT

17. PRINCIPAL RISKS AND UNCERTAINTIES (continued)

In summary, the Group is exposed to the following main risks:

- Business Strategy
  - Strategic direction – the risk of implementing a strategy in new markets such Germany, Switzerland, Lichtenstein and Luxembourg that does not achieve the desired outcomes, and the impact of acquiring the option over Austria
  - Germany – Germany remains a challenge and the Group is dedicated to focusing on its success and growth
- Competition
  - Consumer relevance – quick service restaurants are affected by various changes in consumer tastes, brand relevance and demographic trends
  - Impact of competitors – failure to compete on areas including product offering, price, offers, service and quality
- Franchisees
  - Material deterioration in relationships with franchisees – relationships with franchisees are key to the Group's success as the franchisees drive a large part of the business
  - Commercial leverage of large franchisees – certain Domino's franchisees are now of considerable scale and therefore there is a risk that should these franchisees be allowed to expand further they could attempt to leverage off their size with a view to gaining preferential treatment from the Group
  - Reputational damage or loss of confidence in the brand – any significant act, omission or harmful allegation that is made in public in relation to the brand could lead to significant media interest and potentially bad publicity
- Data and Security
  - Data protection and security – ensuring the appropriate security and safeguards are in place to protect against loss or theft of customer data
  - IT systems and infrastructure – significant failure in, or successful attacks on, the IT processes of our retail operations could impact online sales and each store's ability to trade
- People
  - Employees – failure to attract, retain, develop and motivate the best people at all levels
- Property
  - Store growth – continuing acquisition and development of property sites carries inherent risk as challenges exist in relation to finding new sites, obtaining planning permission (or other consents and compliance) in the countries in which the Group operates

A copy of the Annual Report and Accounts 2013 is available at www.dominos.uk.com.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

a) the financial statements have been prepared in accordance with IAS 34;
b) the interim management report includes a fair review of the information required by the Financial Statements Disclosure and Transparency Rules (DTR 4.2.7R) – indication of important events during the 26 weeks and their impact on the financial statements and description of principal risks and uncertainties for the remaining 26 weeks of the financial year; and
c) the interim management report includes a fair review of the information required by DTR 4.2.8R – disclosure of related party transactions and changes therein.

On behalf of the Board

David Wild
Chief Executive Officer

Sean Wilkins
Chief Financial Officer

INDEPENDENT REVIEW REPORT TO DOMINO'S PIZZA GROUP PLC

Introduction
We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 29 June 2014 which comprises the Group Income Statement, Group Statement of Comprehensive Income, Group Balance Sheet, Group Statement of Changes in Equity, Group Cashflow Statement and the related notes. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 29 June 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
Birmingham
28 July 2014