Domino's Pizza
NEWS

23 July 2012

DOMINO'S PIZZA GROUP plc
INTERIM RESULTS FOR THE 26 WEEKS ENDED 24 JUNE 2012

Domino's Pizza Group plc ("Domino's", the "Company" or the "Group"), the leading pizza delivery company, with stores in the UK, Ireland and Germany, announces its results for the 26 weeks ended 24 June 2012.

Financial Highlights

- System sales[1] increased by 11.0% to £286.9m (2011: £258.4m)
- Strong operational gearing driven operating margins[2], excluding Germany, to 20.9% (2011: 19.9%)
- Profit before tax[2], excluding Germany, increased 15.2% to £23.3m (2011: £20.2m). Profit before tax, including Germany, after exceptional items, was £21.5m (2011: £19.0m)
- Like-for-like sales[3] in 662 mature stores up by 5.2% (2011: 2.4% in 607 stores), 5.5% at a constant exchange rate
    - Like-for-like sales in the UK increased 5.7% (2011: 3.4%)
    - Like-for-like sales in the Republic of Ireland, in euros, up by 2.9% (2011: down 8.4%)
- Earnings per share[2]:
    - Diluted earnings per share, excluding Germany, up 16.1% to 10.68p (2011: 9.20p)
    - Basic earnings per share up 11.8% to 10.29p (2011: 9.20p)
    - Diluted earnings per share up 11.6% to 10.16p (2011: 9.11p)
- Interim dividend increased by 20.0% to 6.60p per share (2011: 5.50p)
- Total of 23 new stores opened in the period (2011: 22 stores) with one closure (2011: 1) resulting in a total of 748 stores as at 24 June 2012 (2011: 688). On track for opening 72 stores during the year (2011: 62)
- Created over 600 new jobs in stores, expected to rise to nearly 2,000 by the year end
- Online system sales increased by 43.4% (2011: 50.9%) to £121.2m (2011: £84.5m) with online sales accounting for 52.4% of UK delivered sales (2011: 41.9%). Of this, 17.9% of online orders were taken through a mobile device
- Good progress being made in Germany, encouraging trading and four stores opened during the period (2011: nil)
- Strong balance sheet with adjusted net debt[4] to EBITDA of 0.4:1 (2011: 0.4:1).

Commenting on the results Chief Executive Officer, Lance Batchelor, said:

"I am delighted to be able to report such a strong set of half year results. Coming on top of a solid start to the year during the first three months of 2012, we have delivered like-for-like sales growth of 5.2% across the system in the first half (2011: 2.4%). In addition, it has been a very busy and successful first half for our emerging German business with four new stores opened. Our franchisees have made the most of the opportunities presented by a combination of rain, sport and national celebrations and delivered some great figures during the second quarter.

"The coming months should provide a real opportunity for our business. We have great new locations coming into play in the UK, our 1-2-1 marketing programme is showing encouraging returns and the opportunity in Germany is looking better by the day. Add to this the best franchisees in the business and the future looks bright.

"Trading since the half year end has continued in line with our expectations. While the consumer backdrop remains tough we are confident about the future and our expectations for the year as a whole remain unchanged."

1 Sales made by franchisees from all stores in the UK, Republic of Ireland and Germany to the public

2 Pre-exceptional items

3 Like-for-like sales are sales in stores that were open before 26 December 2010, excluding stores in Germany

4 Excludes Domino's Leasing Limited's non-recourse loans and the non-controlling shareholder loan in Germany

For further information, please contact:

Domino's Pizza:

Lance Batchelor, Chief Executive Officer	01908 580604
Lee Ginsberg, Chief Financial Officer	01908 580604
Georgina Wald, Head of Corporate Communications	01908 580660

MHP:

Tim McCall, Simon Hockridge, Naomi Lane	020 3128 8100

Numis Securities Limited

David Poutney, James Serjeant	020 7260 1000

A presentation to analysts will be held at 09.30 on 23 July 2012 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, the Republic of Ireland and Germany. 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. On 1 May 2012, the Group changed its name from Domino's Pizza UK & IRL plc to Domino's Pizza Group plc to reflect the inclusion of the German market.

As at 24 June 2012, there were 748 stores in the UK, the Republic of Ireland and Germany. Of these, 588 stores are in England, 50 are in Scotland, 30 are in Wales, 20 are in Northern Ireland, one is on the Isle of Man, one is a mobile unit, 48 are in the Republic of Ireland and 10 are in Germany.

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 9,800 Domino's Pizza stores in 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, customers in the Republic of Ireland can order online at www.dominos.ie and customers in Germany can order online at www.dominos.de. In addition, mobile customers can order by downloading Domino's free iPhone, iPad, Android and Windows Phone 7 apps.

For photography, please visit the media centre at www.dominos.uk.com**, contact the Domino's Press Office on +44 (0)1908 580732, or call MHP on +44 (0)20 3128 8100.**

Chairman's statement

It gives me great pleasure to be reporting such a good set of figures in what continues to be a tough trading environment, with system sales rising by 11.0% to £286.9m (2011: £258.4m) and good like-for-like sales growth of 5.2% (2011: 2.4%). We continue to grow the business through new stores, new customers, menu innovation, great service and, in the case of Germany, new markets. Our online sales also continue to rise, regularly accounting for in excess of £1million per day.

The franchise model continues to work well for the franchisees and the Group – delivering a rise in profit before tax and exceptional items of 9.8% to £22.1m (2011: £20.1m). We are developing this business model in Germany too and I am very excited about the opportunities in this market that I know our franchisees will find. All the lessons of the last 27 years of operating in the UK are being put to good use in this fledgling pizza delivery market and it has some of the best looking stores I have ever seen. The menu, marketing and personnel are now in place and I expect to see this part of the business progress rapidly over the coming years.

Our commitment to running a responsible business has been highlighted with our signing up to several pledges in the Government's Responsibility Deal and the Pennies initiative, of which we are the founding partner, also goes from strength to strength. This simple means of making a charitable donation, through customers rounding up their online orders to the nearest pound, has now raised £306,000 for good causes since it was launched in November 2010.

We will be continuing with our policy of returning surplus cash to shareholders through share buybacks where appropriate, in addition to the 20.0% increase in interim dividend to 6.60p (2011: 5.50p). We are also delighted to see a rise in diluted earnings per share, excluding Germany, of 16.1% to 10.68p (2011: 9.20), maintaining our position as a valuable stock to shareholders.

The head office team are well and truly settled in our new headquarters and some of the improvements – such as a vastly improved development kitchen – are now paying dividends. We were delighted our new home was recognised by the British Council for Offices when we took the South West, Thames Valley and South Wales region award for Projects up to 2,000m^2. We have now progressed to the national finals and await the outcome.

After six months as Chief Executive, and a full year in an executive capacity, Lance Batchelor has proven his ability to lead the Company on to its next stage of development. The business is in robust health, growth is coming from a number of streams, and Lance has an excellent team in place both at senior level and throughout the ranks. I would like to thank all our employees in head office and our commissaries for their enthusiasm, hard work and dedication.

Finally, as ever, it just remains for me to pay tribute to our franchisees and their store teams – who are the heart and soul of the Domino's business. Always hungry for more, always keen to make the most of any opportunity, and always demanding of the way head office works when they need to be – it is our franchisees who take us on the road to further growth, new territories and exciting times ahead.

Stephen Hemsley
Non-Executive Chairman
23 July 2012

Chief Executive Officer's review

I am delighted to be able to report such a strong set of half year results. Following a solid start to the year during the first three months of 2012, we have delivered like-for-like sales growth of 5.2% across the system in the first half (2011: 2.4%). In addition, it has been a very busy and successful first half for our emerging German business with four new stores opened. Our franchisees have made the most of the opportunities presented by a combination of rain, sport and national celebrations and delivered some great figures during the second quarter.

During the period, we have opened 23 new stores and have a full pipeline for the coming half. We are confident of hitting our target of 72 store openings overall and we continue to develop our store design to ensure these new stores, and any that are refitted, are the best in class for our sector. The open design allows us to show off the quality of our products and skill of our pizza makers and, combined with a strong price offer, we are seeing our carry out business rise. We have also increased our portfolio of property agents during the period, to ensure that we maintain a healthy new store pipeline.

E-commerce continues to be the star of the show and we flexed our technological muscle, during the period with the launch of Domigoals, an app that keeps football fans up to date with the latest results and offers the chance to win pizzas or receive voucher codes. The app had over 54,000 downloads and an engagement rate of 88% in just over three weeks. We will continue to own this marketing space and during the period we have also improved our 1-2-1 marketing communications. The result of all this activity, when combined with continuous development in our website and ordering apps, is a rise in e-commerce of 43.4% during the period (2011: 50.9%), taking total online sales to £121.2m (2011: £84.5m). This method of ordering now accounts for 52.4% of delivered orders in the UK (2011: 41.9%). During the period, we took over £1.5m in online orders in a single day for the first time.

While we continue to grow sales, we are also aware of our responsibility to the markets we serve. With this in mind, we have signed a number of voluntary agreements during the period. We have signed up to a number of pledges in the UK Government's Responsibility Deal, including calorie labelling on our website (now the main point of order for customers), a guarantee to continue to keep additional transfats off our menu and we have signed up to the Hospitality and Food Service Agreement managed by WRAP (Waste and Resources Action Programme), the Government-funded organisation responsible for improving waste reduction and recycling in our sector.

Excellent Products

Following on from the successful launch of the freshly-made Domino's Stuffed Crust last year, we have continued to develop this new product with the addition of a Saucy BBQ Stuffed Crust that includes BBQ sauce surrounding the cheese and a new Mexicano Stuffed Crust, which includes chillies in the crust.

We have also seen an extension of another Domino's classic product – the cookie – with the arrival of Triple Chocolate Cookies on the menu. Although only available for a limited time, these cookies proved very popular and other flavours during the year will offer a new route to keeping the menu refreshed for our regular customers. During the period, new products accounted for 19.1% of all sales.

The pipeline of new products is looking very exciting and the move to our new head office has given our development team a great facility for experimentation and development, as well as a place for franchisees to try the new products and inspect the operational impact of some of the more complex procedures. By working with our suppliers to identify new trends, and building on this knowledge through focus groups and online feedback, we have developed new products including the Saucy BBQ Stuffed Crust and the recently launched Mexicano range – and with confidence that they will perform well.

We continue to work with our suppliers to ensure we are buying the best quality ingredients at competitive prices and the cost of our food basket has, in real terms, decreased during the period. We will continue with our policy of locking in food costs where appropriate.

Innovative Marketing

During the period, we continued to lead the way with marketing innovations involving new technology. One of these initiatives was our first Twitter Reverse Auction. This was promoted on Facebook and on Twitter and the more people tweeted using the hashtag #letsdolunch (UK) or #pizzalunch (ROI), the more the price of the pizza dropped. Tweets had to be made between 9am and 11am in the morning and the pizza was on sale from 12noon for a very limited time. The first auction was for a Pepperoni Passion and we had a twelvefold increase in tweets that day.

Other marketing initiatives launched during the period included the *meal deal wizard* – which looks at the customer's basket and suggests the best possible deal, or a good deal that may contain some additional items – and the further development of augmented reality. The latter included the development of a piñata game for smartphones to support the launch of the Mexicano range. Customers with a smartphone can download a free Blippar app, and when the smartphone is held over the Domino's logo, the piñata game appears – offering players a range of prizes including free pizzas and discount vouchers. So far this year, 42% of the marketing budget has been spent on digital activity – up from roughly 30% last year and we were delighted to take the title of Best Food and Cooking App in the Carphone Warehouse Appys.

Finally, *Two for Tuesday* continues to make Tuesday one of our most popular days. We had our biggest ever Tuesday when Valentine's Day fell on a Tuesday and the romantics decided to curl up at home with a couple of pizzas. We were expecting this to be usurped by the final England group match in the European Championships, which was also on a Tuesday, but no – it appears that the average British male prefers pizza with his missus, than with Wayne Rooney.

Exceptional Service

The first half of the year has seen the launch of a service revolution. We have always had the best delivery times in the business, but we are determined to make them even better. For a long time, we have been aware of the positive correlation between delivery times and order frequency and we have a new 22 minute average delivery time target.

As well as improving the service to our customers, we continue to improve our service to our franchisees. The launch of PULSE, the new EPoS system in stores, has given franchisees the opportunity to improve control on their food costs and benefit from better labour scheduling. We also continue to support our franchisees with targeted workshops to help build trade and improve service. So far this year we have hosted sessions on late night trading, student marketing, dealing with the impact of the Olympics and the service revolution workshop.

Finally, it wouldn't be fair to talk about service without mentioning the true Domino's spirit exhibited by our franchisees, who have dealt with some pretty adverse weather conditions during the period. We've seen deliveries in wellies and even deliveries by boat! Several stores have been feeding the local emergency services and water-bound residents and it's this spirit of adventure and customer commitment that we believe separates our franchisees and store teams from the competition.

Markets

Germany

We are making great strides in Germany. We have opened four new stores in the period around the affluent area of North Rhine Westphalia. With stores in Aachen, Cologne and two new ones around Dusseldorf, initial signs are that sales in this area will be strong. This region has great demographics for our business and, using the planning tools we have developed in the UK, we have already identified many promising areas for forthcoming stores. By the year end we plan to have 18 stores in Germany and intend to open another 18 next year.

We now have two UK franchisees operating in this market and more lined up to take stores. We have also had strong interest from German nationals and we are working on a new location in the west of the country for an additional commissary. We will also be upgrading our commissary in Berlin, and we will be moving our head office operation from Berlin to Dusseldorf.

As guided, we will make a £2.5m operating loss in Germany this year – in line with our initial forecasts.

Republic of Ireland

Although Ireland continues to work its way through its economic problems, we are now seeing our like-for-like sales begin to move in the right direction. Sales for the first half, in euros, are up by 2.9%, although this is against very soft comparative sales from last year (2011: down 8.4%).

The Gourmet range, which was launched in the Republic of Ireland with local celebrity chef Andrew Rudd, continues to do well, providing very high quality at good value for money. In addition, we dominated the TV schedules during the first half with sponsorship of a number of programmes including *Dancing on Ice.* A range of value deals also continues to drive sales but the majority of our growth in this market has come from late night opening which, as in the UK, we continue to encourage. This has proved very popular, particularly in the larger cities. In the suburbs and more rural areas, trading continues to be very tough and, for the immediate future at least, this is likely to continue.

Going Forward

The coming months should provide a real opportunity for our business. We have great new store locations coming into play in the UK, our 1-2-1 marketing programme is showing encouraging returns and the opportunity in Germany is looking better by the day. Add to this the best franchisees in the business and the future looks bright.

We were well represented at the biennial Domino's Global Awards in Las Vegas in May where, yet again, we swept the board with 18 of the top 20 international stores and Pali Grewal, one of our franchisees, retained his title as the World's Fastest Pizza Maker.

I am six months into the job of Chief Executive and settling in well. There is so much potential in this business that is yet to be tapped and I look forward to updating shareholders, franchisees and employees in the coming months.

Trading since the half year end has continued in line with our expectations. While the consumer backdrop remains tough we are confident about the future and our expectations for the year as a whole remain unchanged.

Lance Batchelor
Chief Executive Officer
23 July 2012

Chief Financial Officer's Review

Overview

I am delighted to report that the Group has delivered another strong performance for the 26 weeks ended 24 June 2012 and the Group has continued to see uninterrupted growth in system sales, group revenues, profit and earnings per share. This has been achieved against a challenging economic backdrop and an increasingly constrained environment for consumer-facing businesses. With unemployment reaching a 17 year high and consumer confidence levels remaining low, consumers have maintained the recessionary spending habits developed over the last few years. Despite this pressure on household disposable income, we have maintained our record of growth through our continued focus on our customers and evolving and improving our products, service and standards.

Our continued focus on tight cost control and mitigating cost pressures, particularly on the food supply side, through our proactive approach to procurement by taking out fixed price supply contracts and using our buying scale, has ensured that cost pressures have been minimal and not had a disproportionate impact on either the Group's or our franchisees' margins and profits. The Group continues to benefit from strong operational gearing and this has enabled us to continue to grow our revenues and increase earnings and dividends for shareholders.

We are encouraged by the progress being made in our new markets. We have opened a further four stores in Germany since the start of the financial year, all in the North Rhine Westphalia (NRW) area. As at 24 June 2012, we have 10 stores open and trading in these stores has seen solid sales growth in Berlin and very strong initial sales in the stores in the NRW area.

Despite continued economic pressures in Ireland, we are encouraged by the progress made by our franchisees in that very challenging market. To attain positive like-for-like sales has been a real achievement.

Total system sales in the period grew 11.0% to £286.9m (2011: £258.4m). Group revenue, which includes the sales generated by the Group from royalties, fees on new store openings, food sales, finance lease and rental income, as well as the turnover of the stores in subsidiary undertakings, grew by 10.3% to £112.7m (2011: £102.2m).

The underlying business in the UK and Ireland (excluding the early stage of our investment in Germany) has been robust and has seen strong growth in sales and profits in the period. UK like-for-like sales growth in Quarter 2 accelerated to 8.1% from 3.7% in Quarter 1. Together with tight cost control and the continuing benefits of the operational gearing in the commissaries, profit before tax, before exceptionals, for the UK and Ireland segments advanced by 15.2% in the period.

For the Group (including Germany) operating profit, before exceptionals, was up 9.7% to £22.2m (2011: £20.2m), profit before tax, before exceptionals, was up 9.8% to £22.1m (2011: £20.1m) and diluted earnings per share, before exceptionals, was up 11.6% to 10.16p (2011: 9.11p).

Earnings before interest, taxation, depreciation and amortisation (EBITDA), before exceptionals, was up 10.6% to £24.2m (2011: £21.9m), again demonstrating the strong cash generative nature of the Domino's business model. As a result of this strong performance, the Board is increasing the interim dividend by 20.0% to 6.60p

(2011: 5.50p). At 24 June 2012, the Group had cash and cash equivalents of £23.6m (2011: £24.1m) and consolidated adjusted net debt of £16.3m (2011: £15.6m).

Group Trading Results

System sales increased by 11.0% to £286.9m (2011: £258.4m). The main drivers of this growth were:

- Like-for-like sales growth of 5.7% in the UK (2011: 3.4%) and 2.9% in the Republic of Ireland, in euros, (2011: down 8.4%)
- Buoyant e-commerce sales, growing by 43.4% to £121.2m (2011: £84.5m), supported by the further innovations in our online platforms and greater investment in online marketing and the social media arena. Online sales are now at 52.4% of UK delivered sales (2011: 41.9%)
- 23 (2011: 22) new store openings, including four store openings in Germany (2011 in Germany: nil)
- New product innovation, with the launch of Domino's Saucy BBQ Stuffed Crust and enhancing the sides and dessert ranges, with the BBQ boneless ribs and Triple Chocolate Cookies.

Food cost inflation, excluding boxes, for the period was flat, although boxes saw a further increase in prices in January 2012. We have continued our strategy of working closely with our key suppliers and we were able to mitigate any upward pressure on commodity prices by securing longer term, fixed price contracts for a number of key product lines. The rising petrol and diesel costs in the period cost the Group an additional £0.2m compared to the prior year, but this is set to reverse as fuel costs have reduced from the first half highs.

Store level economics and the growth in profitability of our franchisees is key to the continued success of the entire system. During the period, the Group's commissary rebate scheme, which helps balance the food costs to franchisees, increased its payments to £1.9m from £0.8m, enhancing franchisee profitability, which in turn simulates franchisees to drive their businesses to even greater heights.

The net interest charge for the year, including the non-cash impact of £0.2m (2011: £0.2m) arising on the unwinding of the discount on the deferred consideration from the acquisition of Domino's Leasing Limited, was £0.2m (2011: £0.3m).

Unadjusted profit before tax increased by 13.2% to £21.5m (2011: £19.0m). Profit before tax, before exceptionals, increased by 9.8% to £22.1m (2011: £20.1m). Excluding the impact of the Germany operation on the results, the profit before tax, before exceptionals, increased by 15.2% as noted earlier.

Markets

The Group trades in the following three markets, the results of which are disclosed in the segmental reporting note (note 4):

- United Kingdom
- Republic of Ireland
- Germany

Although the general economic climate in the Republic of Ireland remains tough, we have seen a 2.9% growth in like-for-like sales in euros, albeit against soft comparatives from the prior year (2011: down by 8.4%). Profits for this segment are primarily generated from royalties and our commissary in Naas.

On 26 April 2011, the Group acquired a 75% shareholding in Intergrowth Enterprises Limited (subsequently changed to DP Cyco Limited), which holds the Master Franchisee Agreement ("MFA") for Domino's Pizza Germany. The Group has opened a further four stores during the period, bringing the total number of stores in this territory to 10 as at 24 June 2012. Trading has been encouraging particularly in the recently opened stores in the NRW region and the Group is excited with the progress in Germany. This segment reported an operating loss of £1.2m, including amortisation of £0.2m for the period (2011: loss of £0.2m).

Exceptional Items

Results for the year include net exceptional costs of £1.0m (2011: £1.7m). The total amount has been excluded from the profits and earnings, before exceptionals, to show the underlying performance of the business. The exceptional costs in the period comprise the following:

- **Operating exceptional items of £0.4m**
    - During the period, the Group incurred a £0.4m head office restructuring and reorganisation charge.

- **Non-operating exceptional items of £0.2m**
    - As a result of the acquisition of Domino's Leasing Limited in 2009, the Group has recognised £0.2m (2011: £0.2m) as an exceptional interest charge due to the unwinding of the discount on the deferred consideration of the transaction. This is a non-cash interest charge – refer to note 6 for further details.

- **Taxation – net effect of £0.5m**
    - The deferred tax asset recorded on the acquisition of Domino's Leasing Limited in 2009 has been recalculated based on the change in the corporation tax rate to 24% effective 1 April 2012. The impact of this change is to reduce the deferred tax asset by £0.6m (2011: £0.8m). This change has been recorded in the exceptional items in the Group income statement.
    - The taxation impact of the operating and non-operating exceptional items is a reduction of £0.1m (2011: £0.2m reduction) in the overall corporation tax for the period. This is as a result of the tax deductibility of the majority of the restructuring and reorganisation programme.

Taxation

Excluding the taxation effect of the exceptional items, the effective tax rate is 25.7% (2011: 26.8%). Including the effect of exceptional items, the effective tax rate in 2012 was 28.5% (2011: 31.4%). This is lower than the effective tax rate in 2011 due to the reduction in the corporation tax rates in the year and marginally higher than the underlying corporation tax rate of 24.5%. The marginally higher effective tax rate compared to the underlying corporation rate is due to the impact of higher level of expenses not being deductible for taxation purposes, partially offset by the impact of the lower tax rate applicable in the Group's Republic of Ireland subsidiary.

Earnings per Share

Basic earnings per share, before exceptionals, for the period of 10.29p were up 11.8% on the prior year (2011: 9.20p). Diluted earnings per share, before exceptionals, for the period of 10.16p, were up 11.6% on the prior year (2011: 9.11p).

Unadjusted basic earnings per share for the period were 9.67p, up 18.4% on the prior year (2011: 8.16p). Unadjusted diluted earnings per share for the period were 9.54p, up 18.2% on the prior year (2011: 8.08p).

Dividends

In line with our strategy of returning surplus cash to shareholders, we are pleased to declare an increase of 20.0% in the interim dividend for 2012 to 6.60p (2011: 5.50p) per share.

The dividend, which is 1.45 times covered by post-exceptional earnings (2011: 1.47), will be paid on 6 September 2012 to shareholders on the register as at 3 August 2012.

Cash Flow and Net Debt

The Group has delivered strong cash flows, with EBITDA, before exceptionals, increasing by 10.6% to £24.2m (2011: £21.9m). Net cash generated from operations of £18.8m (2011: £11.8m) saw an increase of £7.0m (59.2%) on the prior year. The increase is primarily due to the increase in profits for the period compared to the prior year, as well as a £5.1m improvement in working capital for the period.

During the period, outflows of £2.8m of corporation taxes and £5.7m of capital expenditure and financial investment were incurred. Included in the capital expenditure and financial investment was £1.3m relating to payments to Commerzbank under the arrangements of the acquisition of Domino's Leasing Limited in 2009 and £2.8m capital expenditure including software development, lease premiums and new store expansion in Germany.

Overall net cash flow before financing was £13.0m (£2011: £4.5m). During the period we returned a further £14.3m (2011: £10.9m) to shareholders through share buybacks of £3.3m (2011: £1.8m) and £11.0m (2011: £9.1m) in dividends.

In the period, options over 0.9m (2011: 0.2m) shares were exercised generating an inflow of £1.7m (2011: £0.3m).

DP Capital Ltd continued to provide leasing support to franchisees for their in-store equipment as well as the refit of existing stores, with new advances of £0.6m (2011: £0.8m). After repayments, the balance outstanding at 24 June 2012 on these leases was £3.1m (2011: £3.6m). These facilities are financed by a limited recourse facility and the amount drawn down at 24 June 2012 stood at £2.9m (2011: £2.7m).

The Group's adjusted net debt increased by £0.7m to £16.3m (2011: £15.6m). The Group monitors the ratio of net debt to EBITDA on a quarterly basis as this is one of the financial covenants for the £25.0m five-year facility. The Group includes within net debt, interest bearing loans and borrowings, bank revolving facilities, less cash and cash equivalents and excludes non-recourse loans. The ratio of net debt to EBITDA remains exceptionally low at 0.4 (2011: 0.4) against a covenant of 2.5:1.

Banking Facilities

At 24 June 2012, the Group had a total of £43.0m of banking facilities of which £3.1m was undrawn and, together with cash and cash equivalents of £23.6m, the Group has headroom of £26.7m available as at 24 June 2012. The main facilities are a £25.0m five-year facility and a £13.0m seven-year term facility, both which attract an interest rate of LIBOR plus 50bps. The £25.0m facility expires on 20 December 2012 and the £13.0m seven-year term facility on 31 January 2014.

Given the ongoing volatility in the banking and debt markets and to enable the Group to be flexible and agile during these times, it was decided to undertake our refinancing earlier rather than wait for this facility to expire. Accordingly, the Group has had full credit approval for the refinancing of the existing £25.0m five-year facility and this has been increased to a £30.0m five-year revolving credit facility thereby giving the Group additional flexibility to take advantage of further growth opportunities and returning cash to shareholders. The new £30m facility, which is in the process of final documentation, has been refinanced at an extremely competitive 135 basis points over LIBOR.

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

Capital Employed

Non-current assets decreased in the period from £99.1m to £96.3m due to a further decrease in the deferred tax asset of £1.7m as a result of the utilisation of the capital allowances in Domino's Leasing Limited and the reduction in the corporation tax rates to 24%, as well as £3.8m decrease in net investment in finance leases. The remaining finance leases in Domino's Leasing Limited are due to expire during 2013 and therefore have been allocated to current assets.

Current assets increased in the period from £54.3m to £61.5m. This was predominantly due to an increase in trade and other receivables of £5.7m and net investment in finance leases of £2.3m (as mentioned earlier). The increase in the trade and other receivables is mainly due to £3.9m in the earlier settlement of monies collected by the Group through our e-commerce platforms, which are collected on behalf of franchisees and a £2.0m increase in the National Advertising Fund (NAF) at 24 June 2012 as a result of the timing of the marketing expenditure compared to the income collection for the NAF.

Current liabilities increased from £62.6m to £67.0m, driven principally by an increase of £2.3m in financial liabilities as a result of the inclusion of the remaining outstanding balances due in Domino's Leasing Limited as they are due to expire during 2013.

Non-current liabilities decreased from £31.2m to £27.1m, due to the expiry of finance leases in Domino's Leasing Limited as well as allocating the remaining lease obligations to current liabilities as they expire during 2013.

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 detailed earlier under the Cash Flow, Net Debt and Banking 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, 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.

Conclusion

Despite a very challenging economic environment, our people and our franchisees have delivered an impressive set of results for the first 26 weeks of the 2012 financial year. This performance further demonstrates the resilience of the pizza home delivery market and Domino's Pizza in particular.

The Group's expansion into the German market is showing encouraging signs at this early stage and the same enthusiasm and passion for the Domino's brand can be seen amongst our German team members.

With our strong balance sheet and low financial gearing, passionate team members and franchisees, we are well positioned to continue our expansion. We will continue throughout the remainder of 2012 to innovate, not only in our product offerings but also in the way we interact with our customers and how they order from us and we believe this will be one of the ongoing catalysts to fuel our growth.

As ever our core focus remains on increasing shareholder value and to enable us to reach this objective we continue to implement our strategy of building a business capable of delivering near-term and long-term, sustainable and growing cash flows which will be returned to shareholders through share buybacks and dividends.

Lee Ginsberg
Chief Financial Officer
23 July 2012

GROUP INCOME STATEMENT

		(Unaudited) 26 weeks ended 24 June 2012			(Unaudited) 26 weeks ended 26 June 2011			52 weeks ended 25 December 2011		
		Before exceptional items	Exceptional items (Note 6)	Total	Before exceptional items	Exceptional items (Note 6)	Total	Before exceptional items	Exceptional items (Note 6)	Total
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Revenue	3	112,707	-	112,707	102,152	-	102,152	209,863	-	209,863
Cost of sales		(71,164)	-	(71,164)	(64,636)	-	(64,636)	(132,939)	-	(132,939)
Gross profit		41,543	-	41,543	37,516	-	37,516	76,924	-	76,924
Distribution costs		(6,911)	-	(6,911)	(6,363)	-	(6,363)	(13,026)	-	(13,026)
Administrative costs		(12,598)	(405)	(13,003)	(11,094)	(960)	(12,054)	(21,860)	(3,007)	(24,867)
		22,034	(405)	21,629	20,059	(960)	19,099	42,038	(3,007)	39,031
Share of post tax profits of associates		123	-	123	146	-	146	335	-	335
Operating profit	4	22,157	(405)	21,752	20,205	(960)	19,245	42,373	(3,007)	39,366
Profit on the sale of non-current assets and assets held for sale		-	-	-	-	49	49	-	-	-
Profit before interest and taxation		22,157	(405)	21,752	20,205	(911)	19,294	42,373	(3,007)	39,366
Finance income		227	-	227	175	-	175	334	-	334
Finance expense		(325)	(150)	(475)	(292)	(180)	(472)	(551)	(360)	(911)
Profit before taxation		22,059	(555)	21,504	20,088	(1,091)	18,997	42,156	(3,367)	38,789
Taxation	7	(5,672)	(458)	(6,130)	(5,397)	(573)	(5,970)	(11,141)	(1,182)	(12,323)
Profit for the period		16,387	(1,013)	15,374	14,691	(1,664)	13,027	31,015	(4,549)	26,466
Profit for the period attributable to:										
Owners of the parent				15,634			13,047			26,746
Non-controlling interests				(260)			(20)			(280)
				15,374			13,027			26,466
Earnings per share (post exceptional charges)										
-Basic (pence)	9			9.67			8.16			16.65
-Diluted (pence)	9			9.54			8.08			16.45
Earnings per share (pre exceptional charges)										
-Basic (pence)	9			10.29			9.20			19.48
-Diluted (pence)	9			10.16			9.11			19.24

GROUP STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited) 26 weeks ended 24 June 2012 £000	(Unaudited) 26 weeks ended 26 June 2011 £000	52 weeks ended 25 December 2011 £000
Profit for the period	15,374	13,027	26,466
Other comprehensive income:			
Exchange differences on retranslation of foreign operations	(493)	52	(917)
Other comprehensive income for the period, net of tax	(493)	52	(917)
Total comprehensive income for the period	14,881	13,079	25,549
Total comprehensive income for the year attributable to:			
Owners of the parent	15,141	13,099	25,829
Non-controlling interests	(260)	(20)	(280)
	14,881	13,079	25,549

GROUP BALANCE SHEET

	Notes	(Unaudited) At 24 June 2012 £000	(Unaudited) At 26 June 2011 £000	At 25 December 2011 £000
Non-current assets				
Intangible assets		16,696	15,904	16,611
Property, plant and equipment	10	55,438	51,042	55,564
Prepaid operating lease charges		1,169	502	676
Trade and other receivables		4,963	-	2,705
Net investment in finance leases		1,948	6,157	5,745
Investments in associates		1,471	1,304	1,423
Deferred tax asset		14,643	19,508	16,349
		96,328	94,417	99,073
Current assets				
Inventories		3,823	4,170	3,878
Trade and other receivables		29,928	19,667	24,343
Net investment in finance leases		3,878	1,830	1,532
Prepaid operating lease charges		204	138	165
Cash and cash equivalents	5	23,625	24,128	24,427
		61,458	49,933	54,345
Non-current assets held for sale		-	890	-
Total assets		157,786	145,240	153,418
Current liabilities				
Trade and other payables		(31,034)	(25,882)	(29,444)
Deferred income		(145)	(77)	(136)
Financial liabilities	11	(28,861)	(1,831)	(26,529)
Deferred consideration		(1,828)	(2,463)	(2,164)
Current tax liabilities		(5,055)	(3,559)	(4,248)
Provisions		(66)	-	(66)
		(66,989)	(33,812)	(62,587)
Non-current liabilities				
Financial liabilities	11	(15,826)	(44,489)	(19,222)
Deferred income		(2,127)	(1,805)	(2,021)
Deferred consideration		(7,111)	(8,647)	(7,875)
Deferred tax liabilities		(1,092)	(1,094)	(1,078)
Provisions		(939)	(99)	(971)
Total liabilities		(94,084)	(89,946)	(93,754)
Net assets		63,702	55,294	59,664
Shareholder's equity				
Called up share capital		2,550	2,531	2,532
Share premium account		17,058	15,077	15,358
Capital redemption reserve		425	412	414
Treasury share reserve		(9)	(1,151)	(1,151)
Currency translation reserve		(397)	1,065	96
Other reserve		3,432	3,432	3,432
Retained earnings		39,099	31,865	37,179
Equity shareholder's funds		62,158	53,231	57,860
Non-controlling interests		1,544	2,063	1,804
Total equity		63,702	55,294	59,664

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 26 December 2010	**2,514**	**9,592**	**406**	**(5,526)**	**1,013**	**-**	**33,512**	**41,511**	**151**	**41,662**
Profit for the period	-	-	-	-	-	-	13,047	13,047	(20)	13,027
Other comprehensive income – exchange differences	-	-	-	-	52	-	-	52	-	52
Total comprehensive income for the period	-	-	-	-	52	-	13,047	13,099	(20)	13,079
Proceeds from share issue	23	5,485	-	-	-	-	-	5,508	-	5,508
Share buybacks	(6)	-	6	-	-	-	(1,804)	(1,804)	-	(1,804)
Share transaction charges	-	-	-	-	-	-	(12)	(12)	-	(12)
Vesting of LTIP grants	-	-	-	4,375	-	-	(4,375)	-	-	-
Share option and LTIP charge	-	-	-	-	-	-	483	483	-	483
Tax on employee share options	-	-	-	-	-	-	158	158	-	158
Equity dividends paid	-	-	-	-	-	-	(9,144)	(9,144)	-	(9,144)
Contingent Consideration	-	-	-	-	-	3,432	-	3,432	-	3,432
Non-Controlling Interest Movement	-	-	-	-	-	-	-	-	1,932	1,932
At 26 June 2011	**2,531**	**15,077**	**412**	**(1,151)**	**1,065**	**3,432**	**31,865**	**53,231**	**2,063**	**55,294**
Profit for the period	-	-	-	-	-	-	13,699	13,699	(259)	13,440
Other comprehensive income – exchange differences	-	-	-	-	(969)	-	-	(969)	-	(969)
Total comprehensive income for the period	-	-	-	-	(969)	-	13,699	12,730	(259)	12,471
Proceeds from share issue	3	281	-	-	-	-	-	284	-	284
Share buybacks	(2)	-	2	-	-	-	(396)	(396)	-	(396)
Share transaction charges	-	-	-	-	-	-	(7)	(7)	-	(7)
Vesting of LTIP grants	-	-	-	-	-	-	-	-	-	-
Share option and LTIP charge	-	-	-	-	-	-	1,016	1,016	-	1,016
Tax on employee share options	-	-	-	-	-	-	(117)	(117)	-	(117)
Equity dividends paid	-	-	-	-	-	-	(8,881)	(8,881)	-	(8,881)
At 25 December 2011	**2,532**	**15,358**	**414**	**(1,151)**	**96**	**3,432**	**37,179**	**57,860**	**1,804**	**59,664**
Profit for the period	-	-	-	-	-	-	15,634	15,634	(260)	15,374
Other comprehensive income – exchange differences	-	-	-	-	(493)	-	-	(493)	-	(493)
Total comprehensive income for the period	-	-	-	-	(493)	-	15,634	15,141	(260)	14,881
Proceeds from share issue	13	1,700	-	-	-	-	-	1,713	-	1,713
Share buybacks	(11)	-	11	-	-	-	(3,260)	(3,260)	-	(3,260)
Share transaction charges	-	-	-	-	-	-	(47)	(47)	-	(47)
Vesting of LTIP grants	-	-	-	1,142	-	-	(4,711)	(3,569)	-	(3,569)
Share option and LTIP charge	-	-	-	-	-	-	962	962	-	962
Tax on employee share options	-	-	-	-	-	-	790	790	-	790
Equity dividends paid	-	-	-	-	-	-	(11,001)	(11,001)	-	(11,001)
Shares issued to EBT	16	-	-	(16)	-	-	-	-	-	-
Disposal of shares by EBT	-	-	-	16	-	-	3,553	3,569	-	3,569
At 24 June 2012	**2,550**	**17,058**	**425**	**(9)**	**(397)**	**3,432**	**39,099**	**62,158**	**1,544**	**63,702**

GROUP CASHFLOW STATEMENT

	(Unaudited) 26 weeks ended 24 June 2012	(Unaudited) 26 weeks ended 26 June 2011	52 weeks ended 25 December 2011
Cash flows from operating activities	£000	£000	£000
Profit before taxation	21,504	18,997	38,789
Net finance costs	248	297	577
Share of post tax profits of associates	(123)	(146)	(335)
Amortisation and depreciation (including accelerated depreciation)	2,082	1,710	3,280
Impairment	-	-	837
Profit on disposal of non-current assets	-	(49)	-
Share option and LTIP charge (including accelerated LTIP charge)	962	483	1,499
Decrease in inventories	42	911	1,180
Increase in receivables	(4,876)	(3,863)	(9,910)
Increase / (decrease) in payables	1,650	(5,887)	(2,341)
Increase in deferred income	115	705	980
(Decrease) / increase in provisions	(32)	(20)	918
Cash generated from operations	21,572	13,138	35,474
UK corporation tax	(2,583)	(1,187)	(3,751)
Overseas corporation tax paid	(230)	(169)	(241)
Net cash generated by operating activities	18,759	11,782	31,482
Cash flows from investing activities			
Interest received	70	175	175
Dividends received from associates	75	-	70
(Increase) / Decrease in loans to associates	(125)	15	30
(Increase) / Decrease in loans to franchisees	(3,115)	80	(1,447)
Payments to acquire finance lease assets	(647)	(791)	(1,112)
Receipts from repayment of franchisee finance leases	2,098	1,155	2,186
Purchase of property, plant and equipment	(1,320)	(4,223)	(9,841)
Acquisition of subsidiary – deferred consideration for Domino's Leasing	(1,250)	(3,159)	(4,413)
Purchase of other non-current assets	(1,527)	(841)	(3,171)
Receipts from the sale of other non-current assets	-	300	585
Net cash used by investing activities	(5,741)	(7,289)	(16,938)
Cash inflow before financing	13,018	4,493	14,544
Cash flow from financing activities			
Interest paid	(280)	(274)	(521)
Issue of ordinary share capital	1,729	309	593
Purchase of own shares	(3,307)	(1,804)	(2,219)
New long-term loans	906	676	1,327
Repayment of long-term loans	(1,970)	(1,143)	(2,225)
Equity dividends paid	(11,001)	(9,144)	(18,025)
Net cash used by financing activities	(13,923)	(11,380)	(21,070)
Net decrease in cash and cash equivalents	(905)	(6,887)	(6,526)
Cash and cash equivalents at beginning of period	24,427	31,128	31,128
Foreign exchange loss on cash and cash equivalents	103	(113)	(175)
Cash and cash equivalents at end of period	23,625	24,128	24,427

NOTES TO THE GROUP INTERIM REPORT

1. GENERAL INFORMATION

Domino's Pizza Group plc 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. Copies of the Interim Report are being sent to shareholders. 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 that are effective at 24 June 2012 and are consistent with the accounting policies adopted in the preparation of the Group's annual report and accounts for the 52 weeks ended 25 December 2011.

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

The interim results for the 26 weeks ended 24 June 2012 and the comparatives to 26 June 2011 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 25 December 2011 has been extracted from the statutory accounts for the Group for that period. These published accounts were reported on by the auditors without qualification or an emphasis 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 financial statements are 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 financial statements are 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 financial statements for the 52 weeks ended 25 December 2011, these do not have a material impact on this interim report.

NOTES TO THE GROUP INTERIM REPORT

3. REVENUE

Revenue recognised in the income statement is analysed as follows:

	(Unaudited) 26 weeks ended 24 June 2012 £000	(Unaudited) 26 weeks ended 26 June 2011 £000	52 weeks ended 25 December 2011 £000
Royalties and sales to franchisees	105,290	95,082	196,135
Rental income on leasehold and freehold property	7,174	6,906	13,416
Finance lease income	243	164	312
	112,707	102,152	209,863

4. SEGMENT INFORMATION

For management purposes, the Group is organised into three geographical business units, the United Kingdom, Ireland and Germany, based on the territories governed by the Master Franchise Agreement ("MFA"). These are considered to be the Group's operating segments as the information provided to the chief operating decision makers who are considered to be the Executive Directors of the Board is based on these territories. Revenue included in each includes all sales (royalties, commissary sales, rental income and finance lease income) made to franchise 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 commissary. The Germany operating segment is in respect of business acquired in Germany during the 52 weeks ended 25 December 2011.

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. In the prior year all assets held for sale are included within the United Kingdom operating segment.

NOTES TO THE GROUP INTERIM REPORT

4. SEGMENT INFORMATION (continued)

Operating Segments

	(Unaudited) 26 weeks ended 24 June 2012			
	Germany	Ireland	United Kingdom	Total
	£000	£000	£000	£000
Segment revenue				
Sales to external customers	901	9,154	102,652	112,707
Results				
Segment result	(1,205)	2,053	21,186	22,034
Exceptional items	-	-	(405)	(405)
Share of profit of associates	-	-	123	123
Group operating profit	(1,205)	2,053	20,904	21,752
Net finance costs				(248)
Profit before taxation				21,504
Assets				
Segment assets	14,117	3,095	100,835	118,047
Equity accounted investments	-	-	1,471	1,471
Unallocated assets	-	-	-	38,268
Total assets	14,117	3,095	102,306	157,786

	(Unaudited) 26 weeks ended 26 June 2011			
	Germany	Ireland	United Kingdom	Total
	£000	£000	£000	£000
Segment revenue				
Sales to external customers	121	9,339	92,692	102,152
Results				
Segment result	(147)	1,857	18,349	20,059
Exceptional items	-	-	(960)	(960)
Share of profit of associates	-	-	146	146
Group operating profit	(147)	1,857	17,535	19,245
Profit / (Loss) on the sale of non current assets and assets held for sale	-	-	49	49
	(147)	1,857	17,584	19,294
Net finance costs				(297)
Profit before taxation				18,997
Assets				
Segment assets	13,766	2,809	83,725	100,300
Equity accounted investments	-	-	1,304	1,304
Unallocated assets	-	-	-	43,636
Total assets	13,766	2,809	85,029	145,240

NOTES TO THE GROUP INTERIM REPORT

4. SEGMENT INFORMATION (continued)

Operating Segments

	52 weeks ended 25 December 2011			
	Germany	Ireland	United Kingdom	Total
	£000	£000	£000	£000
Segment revenue				
Sales to external customers	579	19,130	190,154	209,863
Results				
Segment result	(1,341)	4,261	39,118	42,038
Exceptional items	-	(1,061)	(1,946)	(3,007)
Share of profit of associates	-	-	335	335
Group operating profit	(1,341)	3,200	37,507	39,366
Net finance costs				(577)
Profit before taxation				38,789
Assets				
Segment assets	14,043	2,873	94,303	111,219
Equity accounted investments	-	-	1,423	1,423
Unallocated assets	-	-	-	40,776
Total assets	14,043	2,873	95,726	153,418

5. CASH AND CASH EQUIVALENTS

	(Unaudited) At 24 June 2012 £000	(Unaudited) At 26 June 2011 £000	At 25 December 2011 £000
Cash at bank and in hand	9,475	3,430	6,363
Short term deposits	14,150	20,698	18,064
	23,625	24,128	24,427

NOTES TO THE GROUP INTERIM REPORT

6. EXCEPTIONAL ITEMS

Recognised as part of operating profit

The Group has incurred the following exceptional charges during the financial period:

	(Unaudited) 26 weeks ended 24 June 2012 £000	(Unaudited) 26 weeks ended 26 June 2011 £000	52 weeks ended 25 December 2011 £000
Acquisition of Domino's Pizza Germany	-	960	1,232
Onerous lease provision	-	-	938
Restructuring and reorganisation costs	405	-	-
Accelerated depreciation and impairment	-	-	837
	405	960	3,007

Acquisition of Domino's Germany

Costs of £nil (June 2011: £960,000, December 2011: £1,232,000) have been incurred during the period in relation to the acquisition of DP Cyco Limited (formerly Intergrowth Enterprises Limited), the master franchisor for Domino's Pizza Germany on 26th April 2011. See note 15 for further details. These costs which were directly attributable to the acquisition of Domino's Pizza Germany result in a £nil (June 2011: £187,000 reduction, December 2011: £90,000 reduction) in the Group's tax charge for the period.

Onerous lease provision

During the 52 weeks ended 25 December 2011 a provision of £938,000 was made in relation to the rent obligation of three Domino's stores which were closed during the period and other onerous leases identified. Each of the properties is situated in a market where the Group believes that given the ongoing difficult economic climate it is not possible to find a replacement tenant. The provision resulted in a reduction of £249,000 in the Group's tax charge for the period.

Restructuring and reorganisation

During the period the Group has undertaken 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 £405,000 were incurred (June and December 2011: £nil). The restructuring and reorganisation costs resulted in a £89,000 reduction in the Group's tax charge for the period.

Accelerated depreciation and impairment

The Group undertook a review of certain of its assets previously held for sale as at 25 December 2011. As a result of the review the assets were considered to no longer meet the criteria to be disclosed as held for sale. On transfer back into property, plant and equipment the Group identified that the carrying value of these assets exceeded the recoverable amount and an impairment of £837,000 was recognised in relation to four of the stores held for sale. The impairment resulted in no impact on the Group's tax charge for the period.

Recognised below operating profit

Unwinding of discount

Included within the finance cost is a charge of £150,000 (June 2011: £180,000, December 2011: £360,000) relating to the unwinding of the discount on the deferred consideration payable in relation to the acquisition of Domino's Leasing Limited on 1 July 2009.

NOTES TO THE GROUP INTERIM REPORT

7. INCOME TAX

	(Unaudited) 26 weeks ended 24 June 2012 £000	(Unaudited) 26 weeks ended 26 June 2011 £000	52 weeks ended 25 December 2011 £000
Current income tax			
Current income tax charge	4,127	2,770	6,202
Deferred income tax			
Relating to origination and reversal of temporary differences	2,003	3,200	6,121
Income tax expense	6,130	5,970	12,323

In his budget of 21 March 2012, the Chancellor of the Exchequer announced further changes to the corporation tax rates, which has an effect on the Group's current and future tax position. The changes announced were further decreases to the standard rate of corporation tax from the originally proposed 25% to 24% effective 1 April 2012, 23% effective 1 April 2013 and 22% effective 1 April 2014. For the purposes of this interim report, only the change to 24% was 'substantively enacted' by the time of signing. Therefore current tax is recognised at 24.5% and deferred tax at 24%.

As a result of this announcement, our deferred tax balances are now recognised at a lower rate than in the prior year, which has resulted in an additional charge to tax of approximately £547,000 which has been recognised as an exceptional item and which increases our overall effective tax rate for the year.

8. DIVIDENDS PAID AND PROPOSED

	(Unaudited) 26 weeks ended 24 June 2012 £000	(Unaudited) 26 weeks ended 26 June 2011 £000	52 weeks ended 25 December 2011 £000
Declared and paid during the year			
Final dividend for 2010 5.70p (2009: 4.25p)	-	9,144	9,144
Interim dividend for 2011 5.50p (2010: 4.50p)	-	-	8,881
Final dividend for 2011 6.80p (2010: 5.70p)	11,001	-	-
	11,001	9,144	18,025

The directors propose an interim dividend of 6.60p per share of £10,734,000 (2011: 5.50p £8,878,000).

9. 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 24 June 2012 £000	(Unaudited) 26 weeks ended 26 June 2011 £000	52 weeks ended 25 December 2011 £000
Profit for the period	15,374	13,027	26,466
Adjusted for – non-controlling interests	260	20	280
Profit attributable to owners of the parent	15,634	13,047	26,746

	(Unaudited) At 24 June 2012 No.	(Unaudited) At 26 June 2011 No.	At 25 December 2011 No.
Reconciliation of basic and diluted weighted average number of shares:			
Basic weighted average number of shares (excluding treasury shares)	161,751,900	159,857,575	160,677,858
Dilutive potential ordinary shares:			
Employee share options	1,153,110	856,556	716,109
Reversionary interests	896,210	797,031	1,230,921
Diluted weighted average number of shares	163,801,220	161,511,162	162,624,888

NOTES TO THE GROUP INTERIM REPORT

9. EARNINGS PER SHARE (continued)

	(Unaudited) 26 weeks ended 24 June 2012 £000	(Unaudited) 26 weeks ended 26 June 2011 £000	52 weeks ended 25 December 2011 £000
Basic earnings per share	9.67	8.16	16.65
Diluted earnings per share	9.54	8.08	16.45

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 5,445,855 (2011: 3,751,611) shares and share options granted over 4,088,906 (2011: 2,264,818) shares have not been met in the current financial period and therefore the dilutive effect of the number of shares which 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 which, 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.

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 24 June 2012 £000	(Unaudited) 26 weeks ended 26 June 2011 £000	52 weeks ended 25 December 2011 £000
Adjusted basic earnings per share	10.29	9.20	19.48
Adjusted diluted earnings per share	10.16	9.11	19.24

NOTES TO THE GROUP INTERIM REPORT

9. EARNINGS PER SHARE (continued)

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

	(Unaudited) 26 weeks ended 24 June 2012 £000	(Unaudited) 26 weeks ended 26 June 2011 £000	52 weeks ended 25 December 2011 £000
Profit for the period	15,374	13,027	26,466
Adjusted for – non-controlling interests	260	20	280
Profit attributable to owners of the parent	15,634	13,047	26,746
Exceptional items after tax – attributable to owners of the parent	1,013	1,665	4,549
- Acquisition of Domino's Pizza Germany	-	960	1,232
- Onerous lease provision	-	-	938
-Restructuring and reorganisation	405	-	-
- Accelerated depreciation and impairment	-	-	837
- Profit on the sale of non current assets and assets held for sale	-	(49)	-
- Unwinding of discount	150	180	360
- Taxation impact	(89)	(174)	(90)
- Change in corporation tax rate – impact on deferred tax	547	748	1,272
Profit before exceptional items attributable to owners of the parent	16,647	14,712	31,295

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment additions in the period

During the 26 weeks ended 24 June 2012, the Group acquired assets with a cost of £1.3m (2011: £4.2m). £0.3m (2011: £2.7m) of the additions in the period related to the investment in the new Milton Keynes head office.

Capital commitments

At 24 June 2012, the Group had capital commitments of £nil (2011: £3.2m) principally relating to the building of the new Milton Keynes head office.

NOTES TO THE GROUP INTERIM REPORT

11. INTEREST-BEARING LOANS AND BORROWINGS

Bank loans
The Group has entered into an agreement to obtain bank loans and mortgage facilities. These are secured by a fixed and floating charge over the Group's assets and an unlimited guarantee provided by the Company. At 24 June 2012 the balance due under these facilities was £12,035,000 (2011: £12,035,000) all of which is in relation to the Employee Benefit Trust. The loan bears interest at 0.50% (2011: 0.50%) per annum above LIBOR. The loan has a term of 7 years and matures on 31 January 2014. The limit for this facility is £13,000,000.

Bank revolving facility
The Group entered into an agreement on 20 December 2007 to obtain an additional revolving facility from Barclays Bank plc. The limit for this facility is £25,000,000. The balance drawn down on the facility at 24 June 2012 was £25,000,000 (2011: £25,000,000). The facility has a term of 5 years and matures on 20 December 2012. The loan bears interest at 0.50% (2011: 0.50%) per annum above LIBOR. The facility is secured by an unlimited cross guarantee between the Company, Dominos Pizza Group Limited, DPG Holdings Limited, DP Realty Limited and DP Developments Limited as well as negative pledges given by the Company, Dominos Pizza Group Limited, DPG Holdings Limited, DP Realty Limited and DP Developments Limited.

Other loans
The Group has an asset finance facility of £5,000,000 (2011: £5,000,000) with a term of 5 years. The balance drawn down on this facility and held within 'other loans' as at 24 June 2012 is £2,922,000 (June 2011: £2,703,000, December 2011 £2,689,000). The loans are repayable in equal instalments over a period of up to 5 years. The loans are secured by a limited guarantee and indemnity by the Company and Domino's Pizza Group 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 6.40% (2011: 6.18%).

Also included within other loans is a balance of £2,012,000 (June 2011: £2,222,000, December 2011: £2,084,000) 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. It is repayable in 2016 and bears interest at a rate of 2.5% above the 3 month Euro LIBOR.

Non-recourse loans
Non-recourse loans of £2,718,000 (June 2011: £4,360,000, December 2011: £3,943,000) 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 are secured over the related lease receivables and are only repayable provided the related lease receivables are settled in full.

12. SHARE-BASED PAYMENTS

The expense recognised for share-based payments in respect of employee services received during the 26 weeks to 24 June 2012 is £962,000 (2011: £483,000). This all arises on equity settled share-based payment transactions.

NOTES TO THE GROUP INTERIM REPORT

13. RELATED PARTY TRANSACTIONS

During the 26 weeks ended 24 June 2012, the Group entered into transactions, in the ordinary course of business, with related parties. Transactions entered into, and trading balances outstanding at 24 June 2012 with related parties, are as follows:

	Sales to related party £000	Amounts owed by related party £000
Associates		
24 June 2012	4,775	756
26 June 2011	1,240	237
25 December 2011	3,675	443

14. ANALYSIS OF NET DEBT

	(Unaudited) At 24 June 2012 £000	(Unaudited) At 26 June 2011 £000	At 25 December 2011 £000
Bank loan EBT	12,035	12,035	12,035
Other loans	2,922	2,703	2,689
Bank revolving facility	25,000	25,000	25,000
Less: cash and cash equivalents	(23,625)	(24,128)	(24,427)
Adjusted net debt	16,332	15,610	15,297
Domino's Germany Non-controlling interest loan	2,012	2,222	2,084
Non-recourse loans – Domino's Leasing	2,718	4,360	3,943
Net debt	21,062	22,192	21,324

NOTES TO THE GROUP INTERIM REPORT

15. BUSINESS COMBINATIONS

On 26th April 2011, the Group acquired 75% of the ordinary shares of Intergrowth Enterprises Limited, the master franchisee for Domino's Pizza Germany. On 9 June 2011, the company changed its name to DP Cyco Limited.

The acquisition has been accounted for using the purchase method of accounting. The financial statements include the results of DP Cyco Limited and its wholly owned subsidiary Domino's Pizza Germany Gmbh (known collectively as 'Domino's Germany) for the period from the date of acquisition to the period end. The non-controlling interest is measured at the proportionate share of net assets.

The fair values of the identifiable assets and liabilities of Domino's Germany as at the date of acquisition were as follows:

	Fair value to Group
	£000
Master franchise agreement	10,453
Property, plant & equipment	534
Inventory	12
Trade and other receivables	92
Cash and cash equivalents	41
Trade and other payables	(136)
Deferred tax liability	(1,045)
Financial liabilities	(2,222)
Fair value of assets acquired	7,729
Non-controlling interest	(1,933)
Net assets acquired	5,796
Goodwill	2,835
Total acquisition cost	**8,631**
Discharged by:	
Fair value of shares issued (1,320,000 at £3.94)	5,199
Contingently issuable shares (880,000)	3,432
	8,631

Under the terms of the acquisition, the Group purchased a 75% interest in Domino's Germany for a total consideration of 2,200,000 ordinary shares, 1,320,000 payable on completion and a further 880,000 on the opening of the 35th Domino's store in Germany. There was no cash outflow arising on acquisition. Costs of £1,232,000 directly attributable to the acquisition have been recognised in the income statement in accordance with IFRS 3R and are included within exceptional items (note 6). The goodwill arising on acquisition is in respect of the opportunities in the German market.

16. PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group during the period under review and for the remainder of the financial period have not materially changed from those set out on pages 44 to 47 of the Domino's Pizza Group plc (formerly Domino's Pizza UK & IRL plc) Annual Report and Accounts 2011.

In summary, the Group is exposed to risks relating to:

- The detrimental economic environment and the impact it has on consumer confidence and expenditure.
- Competitor activity.
- The failure of a critical supplier and resulting cost of goods increases.
- New, more onerous planning restrictions.
- Consumer relevance, specifically changes in consumer tastes and demographic trends.
- Reputational damage to the brand.
- Commissary production issues.
- The IT infrastructure which supports sales through e-commerce channels.
- Ensuring that the corporate, operational, people and financial structure in Germany is effective.
- Ensuring that the Group's financial structure is appropriate.
- A material deterioration in relationships with the franchisee community.

A copy of the Annual Report and Accounts 2011 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

Lance Batchelor	Lee Ginsberg
Chief Executive Officer	**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 24 June 2012 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 1 to 16. 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 Services 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 24 June 2012 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 Services Authority.

Ernst & Young LLP
Birmingham
23 July 2012