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7 August 2018

**DOMINO'S PIZZA GROUP plc**  
**INTERIM RESULTS FOR THE 26 WEEKS ENDED 1 JULY 2018**

**Growth driven by UK; full year outlook confirmed**

	26 Weeks Ended 1 July 2018	26 Weeks Ended 25 June 2017	Change
<b>Group System Sales<sup>1</sup></b>	<b>£616.6m</b>	<b>£546.5m</b>	<b>12.8%</b>
<b>UK &amp; ROI System Sales<sup>1</sup></b>	<b>£565.1m</b>	<b>£522.7m</b>	<b>8.1%</b>
<b>UK Like-for-Like<sup>2</sup> System Sales<sup>1</sup> excluding impact of split territories</b>	<b>5.9%</b>	<b>2.4%</b>	
<b>Underlying<sup>3</sup> Profit before tax</b>	<b>£45.7m</b>	<b>£44.6m</b>	<b>2.5%</b>
<b>Underlying<sup>3</sup> Basic EPS</b>	<b>7.8p</b>	<b>7.3p</b>	<b>6.8%</b>
<b>Dividend per share</b>	<b>4.05p</b>	<b>3.75p</b>	<b>8.0%</b>
<b>Net debt</b>	<b>£182.1m</b>	<b>£61.0m</b>	<b>£(121.1)m</b>
<b>STATUTORY REPORTING</b>			
<b>Statutory Revenue<sup>4</sup></b>	<b>£259.1m</b>	<b>£211.3m</b>	<b>22.6%</b>
<b>Statutory Profit Before Tax</b>	<b>£41.7m</b>	<b>£46.2m</b>	<b>(9.7)%</b>
<b>Basic EPS</b>	<b>7.2p</b>	<b>7.7p</b>	<b>(6.5)%</b>

**Financial highlights**

- **Group system sales up 12.8%**
  - UK system sales up 8.3%: 22 new stores, 5.9% like-for-like growth (Q2: 4.7% LFL); ROI sales up 2.5%
  - Strong local currency international growth: Switzerland +13.0%, Iceland +5.5%, Domino's Norway +180.5%, Sweden +56.4%
- **Underlying PBT up 2.5% and Underlying Basic EPS up 6.8%**
- **Statutory PBT down 9.7% and Basic EPS down 6.5%**
- **Non-underlying expenses of £4.0m** relating to M&A integration and IT and supply chain transformation cash outflow
- **Net debt £182.1m**, 1.62x LTM EBITDA at period end
- **Interim dividend +8.0% to 4.05p; £38.9m share purchases in H1 2018**

**Strategic progress**

- **Digital investments to support franchisee efficiency and drive customer engagement**
  - GPS in 603 UK & ROI stores: significant labour efficiencies; H1 franchisee store profitability up 5.3%
  - Investment in new e-commerce and app platforms planned, to improve the customer experience further
- **Strong operational focus in acquired businesses**
  - London: volume-driven growth, staff turnover down
  - International: labour cost issues affected H1; actions taken now coming into effect'
- **Warrington Supply Chain Centre operational, production ramped to 130 stores**
- **Full year Underlying PBT expected to be in line with current market expectations**
  - Around 60 new UK stores for 2018, of which several uncertain on timing; unchanged long term target of 1,600
  - Total Group capex around £30m
  - Completion of £50m share purchase programme

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

“It’s been another good trading period for Domino’s. In the UK, despite continued consumer uncertainty, we’ve achieved further like-for-like growth by maintaining our clear focus on product, service and value for customers. Our ongoing investments in supply chain infrastructure and our IT platform will support future growth and customer engagement. Domino’s is proud to be one of the most successful franchise businesses in the UK, and we will continue to work with our franchisee partners to promote the brand and the strength of the system.

“Whilst our international businesses continue to make good progress with customers and sales, it has taken us some time to refine the operating model and cost base at store level, particularly in Norway. We are confident that the changes we have made will result in a better performance in H2, and believe that these businesses offer significant long term growth potential as we export our expertise in digital, supply chain and franchisee management.

“The Board expects that full year Underlying Profit Before Tax will be in line with current market expectations<sup>6</sup>. Our confidence in the future is underlined by continued growth in the dividend, and our ongoing investment in our own shares through the buyback programme.”

<sup>1</sup> System sales represent the sum of all sales made by both franchised and corporate stores to consumers

<sup>2</sup> Like-for-like sales performance is calculated against a comparable 26 week period in the prior year for stores that have not donated addresses to new stores within the previous 12 months

<sup>3</sup> Underlying is defined as statutory performance excluding amounts relating to non – underlying<sup>5</sup> items

<sup>4</sup> Statutory revenues represent revenues directly attributable to the Group being derived from monies paid by franchisees for foodstuffs together with royalty payments for use of the Domino’s brand, rental income from freehold and leasehold property, and corporate store sales in the UK, Switzerland and the Nordics

<sup>5</sup> Non-underlying items are defined as being items that are non-recurring, not part of the ordinary course of business or reduce understandability of business, and are disclosed separately as non-underlying items in note 5 to the accounts.

<sup>6</sup> The range of current market expectations for 2018 Underlying Profit Before Tax is £95.9m - £101.4m, based on company-gathered consensus estimates

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**A presentation for analysts and investors will be held at 9.00am on 7 August 2018 at Numis Securities Auditorium, LSE Building, 10 Paternoster Square, London EC4M 7LT.**

The webcast can be viewed at: <https://www.investis-live.com/dominos/5b3cae5f73e8551100780516/onbb>

A dial-in is also available, with details as follows:

### Participant dial-in numbers

Within United Kingdom (Local) 020 3936 2999

From all other locations + 44 20 3936 2999

### Participant Access Code

324792

## About Domino’s Pizza Group

Domino’s Pizza Group plc is the UK’s leading pizza brand and a major player in the Irish market. We hold the master franchise agreement to own, operate and franchise Domino’s stores in the UK, the Republic of Ireland, Switzerland, Luxembourg and Liechtenstein. In addition, we have a controlling stake in the holders of the Domino’s master franchise agreements in Iceland, Norway and Sweden, as well as an associate investment in Germany. As at 1 July 2018, we had 1,213 stores across six markets, including 1,067 stores in the UK.

For photography, please visit the media centre at [corporate.dominos.co.uk](http://corporate.dominos.co.uk), contact the Domino’s Press Office on +44 (0)1908 580757, or call Maitland on +44 (0)20 7379 5151.

## Performance overview

Total Group system sales increased 12.8% to £616.6m and statutory revenue increased 22.6% to £259.1m, driven by strong store openings in 2017 and continued progress in H1, continued UK like-for-like growth and the impact of the Nordic acquisitions year-on-year. UK system sales were up 8.3% and ROI up 2.5% in local currency, with International operations recording system sales of £51.5m, or 8.4% of the Group total.

Group underlying profit before tax rose 2.5% to £45.7m, reflecting the UK's top line growth and stable margins, and an improved contribution from Germany year-on-year, offset by investments for the long term in Norway and Sweden, and rising interest costs as a result of higher net debt. Underlying basic EPS rose 6.8% to 7.8p, with growth in profitability further enhanced by the reduction in shares in issue as a result of the share buyback programme. The Board has declared an interim dividend per share of 4.05p, an increase of 8.0%.

Underlying operating cash flow was £35.0m, and net debt increased to £182.1m as a result of the Iceland and Germany investments completed in January 2018, the £38.9m of share purchases in H1, capex of £18.3m and the 2017 final dividend of £25.2m.

## Organisation

We are making a number of changes in senior management team responsibilities, to reflect the growing importance of the International operations and the long term opportunity they represent. Simon Wallis, UK & ROI Chief Operating Officer, will from October 2018 become International Managing Director, with direct responsibility for Switzerland, Iceland, Norway and Sweden.

Tony Holdway, UK & ROI Marketing Director, will now report directly to David Wild, Group CEO. The UK & ROI team will be enhanced by the appointment of a new Operations Director, Scott Bush, who has fifteen years' experience with Domino's Pizza Enterprises, most recently as General Manager of Domino's New Zealand.

We have commenced our search for the new Group CFO, and are well advanced in the process to make an interim appointment. We will provide a further update in due course.

## UK

The UK trading environment continues to be uncertain. Consumers' disposable incomes are flat, and operators in the casual dining sector continue to experience inflationary pressures from the national living wage, food costs and business rates. Domino's remains well placed to thrive in this market. The combination of our scale, brand, value proposition and service continues to resonate with customers, translating into sustained growth in sales and profitability.

System sales in H1 were up 8.3% year-on-year, with order growth of 8.1% and average ticket growth of 0.1%. Like-for-like growth, excluding the impact of new stores in split territories, was 5.9%. Like-for-like growth in Q2 at 4.7% reflected the prolonged period of hot weather. This was only partially offset by the benefits of the World Cup.

Franchisees opened 22 new stores in H1, taking the UK total to 1,067. The lower rate of store openings in H1 reflects the very strong performance in the latter part of 2017. We now expect around 60 openings in the UK this year, including several planned stores for which the timing is less certain. The slowdown in our expected rate of growth reflects an expansion strategy that is increasingly focused on the development of smaller and medium-sized franchisees, where we see strong demand for store openings, as we look to grow the next generation of Domino's entrepreneurs and broaden our long term growth platform.

Our progress under each of our areas of strategic focus is outlined below.

### *Customer value and experience*

We operate in a competitive and rapidly-evolving marketplace. Demand for delivered food continues to grow, driven by the ease and convenience of digital ordering, the quality of home entertainment and the comparative costs of eating out. Despite the increasing breadth of choice provided by marketplace apps and delivery service companies, pizza remains the leading category, because it is a cuisine with universal appeal, is well suited to delivery and generates an attractive margin for operators while still representing excellent value for money for customers.

One of our primary areas of focus over the last 12 months has been to improve our value perception with customers, through clearer communication and more relevant offers. We have made excellent progress in this regard: in H1 2018, our customer survey Feed Us Back recorded 33.1% of customers rating us 5/5 for value, compared to 24.0% in the prior period. This has also been reflected in our trading performance: of our like-for-like sales growth of 5.9%, 4.9% was a result of like-for-like order volume growth. We have also held achieved discounts relatively steady, with the average discount on menu prices at 38.5%, compared to 37.9% in H1 2017.

We continue to invest in our own digital platforms, making it increasingly easy for customers to find the best deal, place an order and pay for their meal. Online sales in the UK grew 14.0% year-on-year and now represent 78.7% of system sales – and 88.2% of total delivery sales. We have recently taken the decision to invest in new platforms for e-commerce and app development, which will further improve the customer experience while enabling us to introduce enhancements more quickly and flexibly.

Collection remains an important growth area for Domino's: every time our franchisees open a store, they are getting closer to customers and creating a new neighbourhood of potential take-away customers. Those sales incur limited incremental labour cost, meaning they can make a significant difference to the overall profitability of a store. Total collection sales were up 8.8% in H1.

### *Brand*

'The Official Food of Everything' campaign, launched in September 2017, has gone from strength to strength with increased levels of customer awareness and engagement. The World Cup was a very successful engagement platform for Domino's. The campaign saw the launch of a new 'Meatfielder' pizza which has swiftly become a menu bestseller (mixing at up to 7% of orders), and a broad media plan across digital outdoor (reacting to the match action as it happened), radio, sponsorship of Sky Sports News, and content through social media.

Our collaboration with SportsBible saw the Domino's content viewed and shared over 9.5m times – the most engaging content in the site's history. In addition to being one of the best performing football related videos globally, one of the executions has been viewed nearly 500,000 times and was the sixth most watched video on YouTube in June.

Subsequent to the period end, we announced our multi-year strategic partnership with Gfinity, a leading e-sports solutions provider. This deal, alongside our sponsorship of the ITV Hub, shows how our innovative marketing mix is evolving in line with customer viewing and activity habits.

### *Franchisee profitability and alignment*

Our franchisees remain some of the best entrepreneurs and operators in the Domino's system worldwide. Our interests are aligned: we all benefit from increased scale, through the growing value of the brand, greater supply chain efficiency and the shared investment in new innovations to improve the customer experience continuously.

One of our key strategic imperatives is to maintain or grow franchisee profitability per store, to allow a rapid payback on new store opening investments, and very strong returns from mature stores. Our franchisees are facing the same inflationary pressures as other operators in the casual dining market, but the enduring popularity of the offer and the strength of store level economics provide significant insulation from these headwinds.

In H1, EBITDA per mature store (excluding the short term impact of stores affected by splits) rose 5.3% to approximately £68,000. At this level, franchisees continue to achieve a very attractive return on their investment, whether in a virgin territory or a split territory. Good like-for-like growth, as well as efficiencies achieved through GPS, offset rising food and labour costs. We have now deployed GPS to 588 stores in the UK and a further 15 in ROI, with franchisees typically achieving labour efficiencies of 80-90 basis points of sales against a 30 basis point cost of operation.

### *Corporate stores*

After our acquisition of a 75% stake in Sell More Pizza, the largest London franchisee, last year, we now directly operate 25 stores in the London area. Like-for-like sales growth was above the average for London, as we trialled new menu pricing and focused on driving order volume growth. We have also implemented a number of operational changes to reduce employee turnover, enhance efficiency and improve customer service. We will open two new stores in 2018 in these territories, and have also facilitated a further three openings in the pipeline through address swaps with neighbouring franchisees. In addition, we have entered into agreements to sell on three stores to neighbouring franchisees to allow more effective territory development.

Just after the period end, we entered into an agreement to buy a portfolio of six stores from another franchisee in London. These stores will be managed as part of Sell More Pizza, and provide us with an opportunity to strengthen our position in London.

### *Supply chain and infrastructure*

In May we completed our single biggest ever investment, our new £38m supply chain centre in Warrington in the North West of England. By the end of the period, it was delivering dough and other food and non-food supplies to 130 stores, and this will continue to ramp up in H2. The Warrington facility gives us significant additional capacity and operating efficiencies as we head towards our target of 1,600 stores across the UK.

The opening of Warrington and consideration of our longer-term plans resulted in a review of our manufacturing and distribution operations elsewhere in the UK, allowing us to remain streamlined and competitive. Subsequent to the period end, we have closed activities at a third-party distribution centre in Highbridge, and are in consultation with colleagues at our supply chain centre in Penrith, with a proposal to scale down operations from September, potentially closing the site in March 2019.

We have also been reviewing our customer IT environment, to make sure that we are making the most effective use of our investment and developing the tools to keep us nimble and innovative in the future. As a result, we plan to build new platforms for the app and for ecommerce, to maintain our lead in digital and further enhance the customer journey. This will not lead to an increase in planned investment, as existing spend will be diverted to the new infrastructure, but it will result in accelerated depreciation, reflected in non-underlying results, of approximately £5.9m over the next two years as the current platforms are replaced.

## Republic of Ireland

ROI local currency system sales increased by 2.5% in the period, and by 5.4% as reported to £30.1m. Our first campaign of the year impacted on value perception, which has not yet been recovered. In addition, prolonged periods of adverse weather have also affected sales. Online continues to grow strongly, with sales up 15.1% in H1, and the market remains highly profitable for the Group and our franchisees. Subsequent to the period end, we opened our 50th store in ROI at Ringsend.

## International

We own or control Domino's operations in Switzerland, Iceland, Norway and Sweden, and are a minority shareholder in Germany. All of these businesses offer attractive growth opportunities in markets where pizza is popular and average sales per store are already, with the exception of Germany, at levels it took the UK many years to achieve. However, establishing and developing the right operating model for each market, and building the infrastructure and scale to generate attractive profitability, takes time. These are investments for the long term, and the promotion of Simon Wallis to International Managing Director underlines the importance of these markets to the Group.

Total system sales from our consolidated international operations were £51.5m in H1, up 116.4% year-on-year. We made an underlying operating loss of £1.8m, with growing underlying profits in Iceland and Germany offset by losses in Switzerland, Norway and Sweden. The share of losses attributable to non-controlling interests in Norway and Sweden mitigates the impact on the Group's share of net profits.

In Switzerland, local currency system sales in H1 were up 13.0%, with like-for-like sales up 6.8%. Online sales continue to make good progress, rising 49.8% year-on-year. We opened one new store in H1, taking the total to 19, and plan to open around five more in H2.

In Iceland, local currency system sales were up 5.5%, with like-for-like sales up 2.9%. In January 2018, we increased our ownership of Domino's Iceland to 95.3%.

In Norway, we continue to make progress with the conversion of Dolly Dimple's stores, with strong sales uplifts on conversions. We now operate 34 stores under the Domino's brand, and 49 stores in total. Total Domino's system sales were up 180.5% in local currency, with 5.0% like-for-like growth. Losses were higher than anticipated in H1, with labour cost ratios above budget. A recovery plan is now in place and labour costs were reducing by the end of the period.

In Sweden, our six stores are trading well, and we recorded system sales growth of 56.4%. During H1 we installed a small commissary. We expect to open around five stores in H2.

Our German associate is benefiting from increased scale after the Hallo Pizza acquisition completed in January 2018, with integration progressing well. The business remains on target for 500 stores by 2022. Aside from the increase in our share of profits from the associate, we also recognised £2.5m of non-underlying income as a result of the increase in likely future value from the Market Access Fee.

## Outlook and guidance

The first half of the year has been in line with the Board's expectations, we expect the full year Underlying Profit Before Tax to be in line with current market expectations, and we remain confident of the long term growth prospects for the Group. As outlined above, we now expect to open around 60 stores in the UK this year, with some uncertainty as to the timing of several of these openings. We still expect capex for 2018 to be around £30m.

Finally, we will continue to balance the long-term needs of the business with returns of excess capital to shareholders. We made £38.9m of share purchases in H1, and plan to complete our £50m programme for 2018 in the coming weeks.

## Financial review

The Group operates across a number of territories. The key performance indicators shown below relate to continuing operations.

	26 Weeks Ended 1 July 2018 £m	26 Weeks Ended 25 June 2017 £m	Change %
<b>System sales</b>			
UK & ROI	565.1	522.7	8.1%
International	51.5	23.8	116.4%
System sales	616.6	546.5	12.8%
<b>Revenue</b>			
UK & ROI	212.4	187.5	13.3%
International	46.7	23.8	96.2%
Revenue	259.1	211.3	22.6%
<b>Underlying operating profit/(loss)</b>			
UK & ROI	48.2	44.6	8.1%
International	(1.8)	(0.3)	n/a
Underlying operating profit	46.4	44.3	4.7%
Underlying profit before tax	45.7	44.6	2.5%
Underlying profit after tax	36.7	35.9	2.2%
Underlying basic EPS (pence)	7.8p	7.3p	6.8%

### System sales and Revenue

Group system sales increased 12.8% to £616.6m. System sales in UK & ROI increased 8.1% to £565.1m, while in the International segment they increased to £51.5m.

Group Revenue grew by 22.6% to £259.1m. UK & ROI revenue increased 13.3% to £212.4m, including corporate store sales of £11.1m in the segment as a result of the acquisition in October 2017, offset by the associated supply chain centre sales. International revenue increased 96.2% to £46.7m, which reflects the Nordic acquisitions being consolidated for the full period in the current year versus the comparative which was the period of acquisition.

### Underlying operating profit

Underlying operating profit increased 4.7% to £46.4m, due to system sales growth in UK & ROI, offset by an increased loss in International.

In the UK & ROI, underlying operating profit increased 8.1% to £48.2m, in line with the system sales growth, also of 8.1%. Our international businesses made an underlying operating loss of £1.8m compared to a £0.3m loss in the prior year period.

### Interest

Net interest expense in the period was £0.7m, a £1.0m increase year-on-year.

### Taxation

The underlying effective tax rate was 19.7%, higher than 19.6% in the prior year due to tax losses in the international segment not subject to Group tax relief, partly offset by the decrease in the UK Corporation tax rate in April 2017.

### Earnings per share

Underlying basic earnings per share for the period was 7.8p, representing 6.8% growth over last year and reflecting the growth in Profit before tax, and the lower weighted average share count year-on-year. Underlying diluted earnings per share for the period was 7.7p, up 6.9% on the prior year.

Statutory basic earnings per share for the period was 7.2p, down 6.5% on the prior year. Statutory diluted earnings per share for the period of 7.1p was down 6.6% on the prior year.

## Non-underlying

The Group has presented non-underlying items separately to provide additional information to investors about the Group's performance. The classification of non-underlying items is shown in the table below and explained in note 5.

	<b>26 Weeks Ended 1 July 2018</b>
	<b>£m</b>
UK supply chain transformation	(1.9)
Conversion of Norway acquisition	(2.1)
Non-underlying amortisation and accelerated depreciation	(1.1)
German joint venture store conversion	(1.4)
Market Access Fee fair value uplift	2.5
<b>Non-underlying loss before tax</b>	<b>(4.0)</b>

## Underlying free cash flow

	<b>26 Weeks Ended 1 July 2018</b>
	<b>£m</b>
Underlying operating profit	46.4
Depreciation and amortisation	6.9
Net capex excluding Warrington	(8.8)
Working capital	(8.8)
Other	(0.7)
<b>Underlying operating cash flow</b>	<b>35.0</b>
Tax	(7.5)
Interest	(1.0)
<b>Underlying free cash flow</b>	<b>26.5</b>

Underlying operating profit was £46.4m. Capex in the business, excluding the new supply chain centre in Warrington, was £8.8m and there was a £8.8m working capital outflow as a result of timing of the corresponding inflow at year end. Underlying operating cash flow was £35.0m giving a conversion rate from underlying operating profit of 75%.

Group free cash flow excludes significant growth capex and is defined in the alternative performance measures section of the financial statements.

## Net Debt

	<b>26 Weeks Ended 1 July 2018</b>
	<b>£m</b>
<b>Opening net debt</b>	<b>(89.2)</b>
Underlying free cash flow excluding capex	35.3
Capex	(18.3)
Non-underlying free cash flow	(4.0)
Consideration for acquisitions and further shareholdings	(30.2)
Loan and Equity increase in Daytona JV Ltd	(10.8)
Dividends paid	(25.2)
Share purchases	(38.9)
Other	(0.8)
<b>Closing net debt</b>	<b>(182.1)</b>
Last 12 months net debt/EBITDA ratio	1.6x

## Net debt and leverage

Overall Group net debt increased from £89.2m in 2017 to £182.1m, with the free cash flow offset by planned organic and strategic investments and returns to shareholders through dividends and share purchases.

Investment in the business consisted of £18.3m in capex and £41.0m acquiring a further shareholding in Iceland, funding of Daytona to acquire Hallo Pizza and the remaining working capital payment for London Corporate Stores. Returns to shareholders of £64.1m in the period consisted of £25.2m in dividend payments and £38.9m in share purchases.

Last 12 months net debt/EBITDA ratio increased from 0.6x to 1.6x as a result of this continued investment.

# Group income statement

26 weeks ended 1 July 2018

		(unaudited) 26 weeks ended 1 July 2018 £m	(unaudited) 26 weeks ended 25 June 2017 £m	53 weeks ended 31 December 2017 £m
Continuing operations	Notes			
<b>Revenue</b>	3	259.1	211.3	474.6
Cost of sales		(152.8)	(125.8)	(280.7)
<b>Gross profit</b>		106.3	85.5	193.9
Distribution costs		(15.0)	(13.2)	(28.4)
Administrative costs		(52.7)	(30.6)	(93.2)
		38.6	41.7	72.3
Share of post-tax profits of associates and joint ventures		1.3	1.1	3.2
<b>Operating profit</b>		39.9	42.8	75.5
Other income	5	2.5	-	-
Net gain on step acquisition of foreign operations	5	-	5.8	5.8
<b>Profit before interest and taxation</b>		42.4	48.6	81.3
Finance income	6	1.0	0.2	1.8
Finance expense	6	(1.7)	(2.6)	(1.9)
<b>Profit before taxation</b>		41.7	46.2	81.2
Taxation	7	(8.4)	(8.5)	(14.4)
<b>Profit for the period from continuing operations</b>		33.3	37.7	66.8
Discontinued operations				
Loss after tax for the period from discontinued operations		-	-	(0.2)
<b>Profit for the period</b>		33.3	37.7	66.6
Profit/(loss) attributable to:				
– Equity holders of the parent		34.8	37.8	67.5
– Non-controlling interests		(1.5)	(0.1)	(0.9)
<b>Profit for the period</b>		33.3	37.7	66.6
<b>Earnings per share</b>				
From continuing operations				
– Basic (pence)	8	7.2	7.7	13.8
– Diluted (pence)	8	7.1	7.6	13.6
From continuing and discontinued operations				
– Basic (pence)	8	7.2	7.7	13.8
– Diluted (pence)	8	7.1	7.6	13.6
<b>Non-GAAP measures:</b>				
Operating profit		39.9	42.8	75.5
Add back non-underlying:				
– Cost of sales	5	4.0	-	-
– Administrative costs	5	1.1	1.0	19.7
– Share of non-underlying post-tax costs of associates and joint ventures	5	1.4	0.5	0.7
<b>Underlying operating profit</b>		46.4	44.3	95.9
Net finance costs	6	(0.7)	(2.4)	(0.1)
– Add back non-underlying finance costs	5	-	2.7	0.4
<b>Underlying profit before tax</b>		45.7	44.6	96.2
Taxation	7	(8.4)	(8.6)	(14.4)
– Add back non-underlying tax credit	5	(0.6)	(0.1)	(3.1)
<b>Underlying profit for the period from continuing operations</b>		36.7	35.9	78.7

# Group statement of comprehensive income

26 weeks ended 1 July 2018

	(unaudited) 26 weeks ended 1 July 2018 £m	(unaudited) 26 weeks ended 25 June 2017 £m	53 weeks ended 31 December 2017 £m
Notes			
<b>Profit for the period</b>	<b>33.3</b>	<b>37.7</b>	<b>66.6</b>
<b>Other comprehensive income/(expense):</b>			
Items that may be subsequently reclassified to profit or loss:			
– Exchange gain/(loss) on retranslation of foreign operations	-	4.5	(1.5)
Items that will not be subsequently reclassified to profit or loss:			
– Exchange differences recycled on step acquisition of foreign operations	-	(6.6)	(6.6)
Other comprehensive expense for the period, net of tax	-	(2.1)	(8.1)
<b>Total comprehensive income for the period</b>	<b>33.3</b>	<b>35.6</b>	<b>58.5</b>
Total comprehensive income attributable to			
– Equity holders of the parent	34.8	35.7	59.4
– Non-controlling interests	(1.5)	(0.1)	(0.9)

# Group balance sheet

At 1 July 2018

	Notes	(unaudited) At 1 July 2018 £m	(unaudited) At 25 June 2017 £m	At 31 December 2017 £m
<b>Non-current assets</b>				
Intangible assets		114.4	89.9	114.2
Property, plant and equipment	10	110.5	89.7	105.9
Prepaid operating lease charges		4.3	0.8	3.5
Trade and other receivables		27.8	22.3	25.2
Net investment in finance leases		0.4	0.2	0.5
Derivative financial asset	14	11.8	8.5	9.0
Investments in associates and joint ventures	11	33.1	25.5	27.3
Deferred tax asset		7.9	7.3	8.3
		310.2	244.2	293.9
<b>Current assets</b>				
Inventories		10.6	8.7	8.4
Trade and other receivables		58.8	51.1	48.7
Net investment in finance leases		0.6	0.6	0.9
Cash and cash equivalents		18.5	33.1	29.0
		88.5	93.5	87.0
<b>Total assets</b>		398.7	337.7	380.9
<b>Current liabilities</b>				
Trade and other payables		(79.5)	(71.5)	(86.4)
Deferred income		(8.9)	(5.8)	(8.1)
Financial liabilities	13	(5.8)	(1.0)	(6.2)
Financial liabilities – share buyback obligation		(0.7)	-	(18.3)
Deferred and contingent consideration		-	-	(3.6)
Current tax liabilities	7	(8.9)	(10.3)	(8.2)
Provisions		(4.2)	(2.3)	(4.5)
		(108.0)	(90.9)	(135.3)
<b>Non-current liabilities</b>				
Trade and other payables		(0.9)	(0.5)	(0.9)
Financial liabilities	13	(208.8)	(129.9)	(152.3)
Deferred income		(7.6)	(3.9)	(6.8)
Deferred tax liabilities		(7.4)	(10.3)	(7.8)
Provisions		(13.3)	(2.6)	(13.3)
		(238.0)	(147.2)	(181.1)
<b>Total liabilities</b>		(346.0)	(238.1)	(316.4)
<b>Net assets</b>		52.7	99.6	64.5
<b>Shareholders' equity</b>				
Called up share capital		2.5	2.6	2.5
Share premium account		36.7	36.7	36.7
Capital redemption reserve		0.5	0.5	0.5
Capital reserve – own shares		(6.2)	(8.5)	(6.5)
Currency translation reserve		(1.1)	4.9	(1.1)
Other reserves		(30.8)	(34.8)	(40.3)
Retained earnings		42.0	77.0	52.0
<b>Total equity shareholders' funds</b>		43.6	78.4	43.8
<b>Non-controlling interests</b>		9.1	21.2	20.7
<b>Total equity</b>		52.7	99.6	64.5

# Group statement of changes in equity

26 weeks ended 1 July 2018

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Capital reserve – own shares £m	Currency translation reserve £m	Other reserves £m	Retained earnings £m	Total equity shareholders' funds £m	Non- controlling interests £m	Total £m
<b>At 25 December 2016</b>	2.6	36.6	0.5	(12.3)	7.0	-	72.8	107.2	-	107.2
Profit for the period	-	-	-	-	-	-	37.8	37.8	(0.1)	37.7
Other comprehensive expense for the period	-	-	-	-	(2.1)	-	-	(2.1)	-	(2.1)
<b>Total comprehensive income for the period</b>	-	-	-	-	(2.1)	-	37.8	35.7	(0.1)	35.6
Proceeds from share issue	-	0.1	-	-	-	-	-	0.1	-	0.1
Share buybacks	-	-	-	(9.8)	-	-	(10.1)	(19.9)	-	(19.9)
Share buyback obligation satisfied	-	-	-	-	-	-	10.0	10.0	-	10.0
Shares cancelled	-	-	-	12.3	-	-	(12.3)	-	-	-
Proceeds from share issues	-	-	-	0.4	-	-	-	0.4	-	0.4
Impairment of share issues	-	-	-	0.9	-	-	(0.9)	-	-	-
Share option and LTIP charge	-	-	-	-	-	-	1.6	1.6	-	1.6
Tax on employee share options	-	-	-	-	-	-	0.1	0.1	-	0.1
Acquisition of subsidiaries	-	-	-	-	-	(34.8)	-	(34.8)	20.4	(14.4)
Transactions with non-controlling interest	-	-	-	-	-	-	-	-	1.7	1.7
Equity dividends paid	-	-	-	-	-	-	(22.0)	(22.0)	(0.8)	(22.8)
<b>At 25 June 2017 (unaudited)</b>	2.6	36.7	0.5	(8.5)	4.9	(34.8)	77.0	78.4	21.2	99.6
Profit for the period	-	-	-	-	-	-	29.7	29.7	(0.8)	28.9
Other comprehensive income – exchange differences	-	-	-	-	(6.0)	-	-	(6.0)	-	(6.0)
<b>Total comprehensive income for the period</b>	-	-	-	-	(6.0)	-	29.7	23.7	(0.8)	22.9
Proceeds from share issues	-	-	-	0.1	-	-	-	0.1	-	0.1
Impairment of share issues	-	-	-	1.9	-	-	(1.9)	-	-	-
Share buybacks	(0.1)	-	-	-	-	-	(16.6)	(16.7)	-	(16.7)
Share buybacks obligation outstanding	-	-	-	-	-	-	(18.3)	(18.3)	-	(18.3)
Share options and LTIP charge	-	-	-	-	-	-	0.1	0.1	-	0.1
Tax on employee share options	-	-	-	-	-	-	0.4	0.4	-	0.4
Acquisitions	-	-	-	-	-	(5.5)	-	(5.5)	1.6	(3.9)
Transactions with non-controlling interest	-	-	-	-	-	-	-	-	(2.1)	(2.1)
Equity dividends paid	-	-	-	-	-	-	(18.4)	(18.4)	0.8	(17.6)
<b>At 31 December 2017</b>	2.5	36.7	0.5	(6.5)	(1.1)	(40.3)	52.0	43.8	20.7	64.5
Profit for the period	-	-	-	-	-	-	34.8	34.8	(1.5)	33.3
Other comprehensive income – exchange differences	-	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	34.8	34.8	(1.5)	33.3
Share buybacks	-	-	-	(2.2)	-	-	(36.7)	(38.9)	-	(38.9)
Share buyback obligation movement	-	-	-	-	-	-	17.6	17.6	-	17.6
Proceeds from share issues	-	-	-	1.2	-	-	-	1.2	-	1.2
Impairment of share issues	-	-	-	1.3	-	-	(1.3)	-	-	-
Share option and LTIP charge	-	-	-	-	-	-	1.1	1.1	-	1.1
Tax on employee share options	-	-	-	-	-	-	(0.3)	(0.3)	-	(0.3)
Increase in interest in a subsidiary	12	-	-	-	-	9.5	-	9.5	(10.0)	(0.5)
Transactions with non-controlling interest	-	-	-	-	-	-	-	-	(0.1)	(0.1)
Equity dividends paid	-	-	-	-	-	-	(25.2)	(25.2)	-	(25.2)
<b>At 1 July 2018 (unaudited)</b>	2.5	36.7	0.5	(6.2)	(1.1)	(30.8)	42.0	43.6	9.1	52.7

# Group cash flow statement

26 weeks ended 1 July 2018

	Notes	(unaudited) 26 weeks ended 1 July 2018 £m	(unaudited) 26 weeks ended 25 June 2017 £m	53 weeks ended 31 December 2017 £m
<b>Cash flows from operating activities</b>				
<b>Profit before interest and taxation</b>		42.4	48.6	81.3
Amortisation and depreciation		8.0	4.9	14.4
Impairment		-	0.8	2.0
Working capital movements	20	(8.8)	(1.8)	18.6
Other movements	20	(3.2)	(5.8)	3.5
<b>Cash generated from operations</b>		38.4	46.7	119.8
UK corporation tax paid		(6.2)	(5.1)	(14.8)
Overseas corporation tax paid		(1.3)	-	(0.8)
<b>Net cash generated by operating activities</b>		30.9	41.6	104.2
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment		(14.6)	(15.8)	(37.2)
Purchase of intangible assets		(3.7)	(3.1)	(6.2)
Purchase of other non-current assets		(1.5)	-	(3.2)
Receipts from the sale of other non-current assets		-	0.4	0.2
Acquisition of subsidiaries, net of cash received		-	(2.0)	(23.2)
Investment in joint ventures and associates		(5.4)	-	-
Payment of deferred consideration		(3.4)	(1.1)	(1.1)
Interest received		0.2	0.2	0.4
Dividends received from associates		0.9	0.7	1.2
(Increase)/decrease in loans to associates and joint ventures		(5.4)	0.3	0.1
(Increase)/decrease in loans to franchisees		(0.9)	0.7	(0.4)
Receipts from repayment of franchisee leases		0.3	0.6	-
Payments to acquire finance lease assets		-	-	(0.7)
<b>Net cash used by investing activities</b>		(33.5)	(19.1)	(70.1)
<b>Cash (outflow)/inflow before financing</b>		(2.6)	22.5	34.1
<b>Cash flows from financing activities</b>				
Interest paid		(1.0)	(0.5)	(1.1)
Issue of Ordinary share capital		1.2	0.1	0.6
Purchase of own shares		(38.9)	(19.9)	(36.6)
New bank loans and facilities drawn down		185.7	143.7	396.3
Repayment of borrowings		(102.9)	(116.0)	(339.9)
Increase in ownership interest in a subsidiary		(26.8)	-	-
Cash received from non-controlling interest on acquisition of subsidiaries		-	1.7	1.7
Equity dividends paid		(25.2)	(22.0)	(40.4)
Dividends paid to non-controlling interest		(0.1)	(0.8)	(7.6)
<b>Net cash used by financing activities</b>		(8.0)	(13.7)	(27.0)
<b>Net (decrease)/increase in cash and cash equivalents</b>		(10.6)	8.8	7.1
Cash and cash equivalents at beginning of period		29.0	23.1	23.1
Foreign exchange gain/(loss) on cash and cash equivalents		0.1	1.2	(1.2)
<b>Cash and cash equivalents at end of period</b>		18.5	33.1	29.0

# Notes to the Group interim report

26 weeks ended 1 July 2018

## 1. General information

Domino's Pizza Group plc ('the Company') is a public limited company incorporated in the United Kingdom under the Companies Act 2006 (registration number 03853545). The Company is domiciled in the United Kingdom and its registered address is 1 Thornbury, West Ashland, Milton Keynes, MK6 4BB. The Company's ordinary shares are listed on the Official List of the FCA and traded on the Main Market of 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

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 1 July 2018 and the comparatives to 25 June 2017 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 53 weeks ended 31 December 2017 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 financial resources of the Group including the current position of the banking facilities, 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 tenth of million pounds (£0.1m), except when otherwise indicated. The financial statements are prepared using the historic cost basis with the exception of the derivative financial assets, contingent consideration and gross put option liabilities which are measured at fair value in accordance with IFRS 13 Fair Value Measurement.

The comparatives within note 4 to the interim accounts have been restated to consistently allocate goodwill, the gross put option liability and the market access fee between segments.

## Discontinued operations

In the Group's financial statements, the results and cash flows of discontinued operations are presented separately from those of continuing operations. An operation is classified as discontinued if it is a component of the Group that (i) has been disposed of, or meets the criteria to be classified as held for sale, and (ii) represents a separate major line of business or geographic area of operations or will be disposed of as part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations. The discontinued operations results and cash flows relate to the sale or closure of the Group's directly managed German stores.

## Accounting policies and new standards

The consolidated accounts for the 53 weeks ended 31 December 2017 were prepared in accordance with IFRS as adopted by the EU. The accounting policies applied by the Group are consistent with those disclosed in the Group's Annual Report and Accounts for the 53 weeks ended 31 December 2017, except for those that relate to new standards and interpretations effective for the first time for the reporting period and will be adopted in the current period financial statements.

### Initial adoption of IFRS 9 Financial Instruments

IFRS 9 has replaced IAS 39 Financial Instruments: Recognition and Measurement, covering the classification, measurement and derecognition of financial assets and financial liabilities, together with a new hedge accounting model and the new expected credit loss model for calculating impairment. The standard has an effective date of 1 January 2018.

The new standard has had the following effects on the Group's financial statements:

The Market Access Fee, a derivative instrument relating to the underlying performance of the associate company Daytona JV Limited, was classified as an available-for-sale financial asset under IAS 39 and previously classified as being at Fair Value through Other Comprehensive Income (FVTOCI). Under IFRS 9 this derivative instrument is now classified as Fair Value through Profit or Loss (FVTPL). There have been no changes in the fair value of the instrument in previous periods and therefore there is no change to opening balances within equity.

The Group's impairment provision on financial assets measured at amortised cost (such as trade and other receivables) have been calculated in accordance with IFRS 9's expected credit loss model, which differs from the incurred loss model previously required by IAS 39. The Group's history of low credit losses as a result of strong franchisee profitability and cash sales for corporate store sales has resulted in no change to the provision value previously recorded and there is no change to the opening balances within equity.

The Group has chosen not to restate comparatives on adoption of IFRS 9 and, therefore, any changes would have been processed at the date of initial application and presented in the statement of changes in equity for the 26 weeks to 1 July 2018.

# Notes to the Group interim report (continued)

26 weeks ended 1 July 2018

## ▪ **Initial adoption of IFRS 15 Revenue from Contracts with Customers**

IFRS 15 has replaced all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers unless the contracts are within the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard has an effective date of 1 January 2018.

The Group has applied the standard using the modified retrospective method in accordance with paragraph C3 (b) of the standard, requiring any cumulative impact to be recognised as an adjustment to the opening balances within equity.

The Group's revenues that are applicable for IFRS 15 are royalties, franchisee fees, sales to franchisees and corporate store sales. The Group has performed the five-step model on each of these elements, identifying the contracts, the performance obligations, transaction price and then allocating this to determine the timing of revenue recognition. For each of these there is no impact on the timing of transfer of control and therefore no impact on the timing of recognition of revenue.

The Group considered the accounting policy for the National Advertising Fund (NAF) on adoption of IFRS 15. The Group operates the NAF on behalf of the franchisees, with the NAF designated for marketing and advertising. The Group acts as agent for the NAF and any short-term timing surplus or deficit is carried in the Group balance sheet within working capital. There is no impact on the Income Statement, which is consistent with prior years.

The Group's profit before tax remains unchanged and no adjustments to any line items have been made to the opening balances within equity.

Rental income on leasehold and freehold property falls outside of the scope of IFRS 15.

## ▪ **Other standards adopted**

The following standards adopted in the current period have not had a significant impact on the financial statements of the Group:-

- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
- Amendments to IAS 7 Disclosure Initiative
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

## ▪ **IFRS 16 Leases (not yet adopted)**

IFRS 16, replacing IAS 17, provides a single lessee accounting model, requiring lessees to recognise right of use assets and lease liabilities for all applicable leases. The standard has an effective date of 1 January 2019.

IFRS 16 is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements. On adoption of IFRS 16 the Group will recognise within the balance sheet a right of use asset and lease liability for all applicable leases. Within the income statement, rent expense will be replaced by depreciation and interest expense. This will result in a decrease in cost of sales and an increase in finance costs. Where the Group operates as lessor the rental income will continue to be recognised on the same basis.

The Group operates as intermediate lessor for a significant proportion of its leases. Where the sublease is substantially all of the right of use head lease, the right of use asset will be derecognised and recorded as a lease receivable, with interest income recognised in the income statement. Where the sublease is not substantially all of the right of use head lease, but management judges that it is likely the sublease will be renewed to become substantially all of the right of use asset then the same treatment will be applied. This will result in lease receivables and lease liabilities being recorded on the balance sheet with interest income and expense recognised separately in the income statement, replacing revenue and cost of sales.

The standard will also impact a number of statutory measures such as operating profit and cash generated from operations, and alternative performance measures used by the Group. The full impact of IFRS 16 is currently under review, including understanding the practical application of the principles of the standard. It is therefore not practical to provide a reasonable estimate of the financial effect until this review is complete.

## **Derivative financial assets**

Following the adoption of IFRS 9, the Market Access Fee is classified as a derivative financial asset, initially recognised and subsequently measured at fair value, with changes in fair value recognised in profit or loss as other income. Associated foreign exchange gains and losses and the interest income are recognised in the profit or loss as finance income or expense.

## **Trade and other receivables**

Trade receivables, which generally have seven to 28-day terms, are recognised and carried at their original invoiced value net of an impairment provision of expected credit losses calculated on historic default rates. Balances are written off when the probability of recovery is considered remote.

The Group provides interest-free loans to assist franchisees in the opening of new stores. These are initially recorded at fair value, with the difference to the cash advanced capitalised as an intangible asset.

# Notes to the Group interim report (continued)

26 weeks ended 1 July 2018

## Revenue

The group's revenue arises from the sale of products and services to franchisees, the charging of royalties, fees and rent to franchisees, and from the sale of goods to consumers from corporate stores.

### Royalties, franchise fees and sales to franchisees

Contracts with customers for the sale of products generally include one performance obligation. The group has concluded that revenue from the sale of products should be recognised at a point in time when control of the goods are transferred to the franchisee, generally on delivery. Revenue is recognised at the invoiced price less any estimated rebates.

The performance obligation relating to royalties is the use of the Domino's brand. This represents a sales-based royalty, as defined in IFRS 15, with revenue recognised at the point the franchisee makes a sale to an end consumer.

Franchise fees are revenue for initial services associated with the opening of stores. They are non-refundable, and no element of the franchise fee relates to subsequent services. Revenue from franchisee fees is recognised when a franchisee opens a store for trading as this is the point at which all performance obligations have been satisfied.

#### ▪ Corporate store sales

Contracts with customers for the sale of products to end consumers include one performance obligation. The group has concluded that revenue from the sale of products should be recognised at a point in time when control of the goods are transferred to the consumer, which is the point of delivery or collection. Revenue is measured at the menu price less any discounts offered.

#### ▪ Rental income on leasehold and freehold property

Rental income arising from leasehold properties is recognised on a straight-line basis in accordance with the lease terms. Deferred income comprises lease premiums and rental payments. Lease premiums are recognised on a straight-line basis over the term of the lease. Rental payments are deferred and recognised over the period which it relates.

## 3. Revenue

Revenue recognised in the income statement is analysed as follows:

	(unaudited) 26 weeks ended 1 July 2018 £m	(unaudited) 26 weeks ended 25 June 2017 £m	53 weeks ended 31 December 2017 £m
Continuing operations			
Royalties, franchise fees and sales to franchisees	190.3	176.1	374.9
Corporate store sales	56.1	23.7	75.5
Rental income on leasehold and freehold property	12.7	11.5	24.2
	259.1	211.3	474.6

## 4. Segmental information

For management purposes, the Group is organised into two geographical business units based on the operating models of the regions: the United Kingdom and Ireland operating more mature markets with a sub-franchise model and limited corporate stores, and International whose markets are at an earlier stage of development and which operate predominantly as corporate stores. The International segment includes Switzerland, Germany, Iceland, Norway and Sweden. 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 made to franchise stores (royalties, sales to franchisees and rental income) and by corporate stores located in that segment.

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.

The comparative period at 25 June 2017 has been restated for derivative financial asset and gross put option liabilities. The comparative period at 31 December 2017 has been restated for allocation of segmental goodwill.

Goodwill on consolidation of £20.8m as at 31 December 2017 has been reallocated to the International segment as this is the segment in which the assets have been generated.

The Market Access Fee of £8.5m has been restated to a UK & Ireland Asset from Assets relating to discontinued operations as at 25 June 2017, due to the proceeds being receivable in the UK & Ireland segment when they become due.

Put option liabilities of £36.9m have been re-allocated to the UK & Ireland operating segment from International as at 25 June 2017. This is due to the options being payable by the UK & Ireland segment when they become due.

There has also been a reallocation of a £2.4m liability from UK & Ireland segment to Unallocated liabilities at 25 June 2017.

# Notes to the Group interim report (continued)

26 weeks ended 1 July 2018

## 4. Segmental information (continued)

### Operating segments

	(unaudited) 26 weeks ended 1 July 2018			(unaudited) 26 weeks ended 25 June 2017			53 weeks ended 31 December 2017		
	International £m	UK & Ireland £m	Total £m	International £m	UK & Ireland £m	Total £m	International £m	UK & Ireland £m	Total £m
<b>Revenue</b>									
Royalties, franchise fees and sales to franchisees	1.7	188.6	190.3	0.1	176.0	176.1	1.5	373.4	374.9
Corporate store sales	45.0	11.1	56.1	23.7	-	23.7	71.5	4.0	75.5
Rental income on leasehold and freehold property	-	12.7	12.7	-	11.5	11.5	-	24.2	24.2
<b>Segment revenue</b>	<b>46.7</b>	<b>212.4</b>	<b>259.1</b>	<b>23.8</b>	<b>187.5</b>	<b>211.3</b>	<b>73.0</b>	<b>401.6</b>	<b>474.6</b>
<b>Results</b>									
Underlying segment result	(3.0)	46.7	43.7	(0.7)	43.4	42.7	(0.7)	92.7	92.0
Non-underlying items	(3.5)	(3.0)	(6.5)	(0.7)	(0.8)	(1.5)	(6.4)	(14.0)	(20.4)
Underlying share of profit of associates and joint ventures	1.2	1.5	2.7	0.3	1.3	1.6	1.5	2.4	3.9
<b>Group operating profit</b>	<b>(5.3)</b>	<b>45.2</b>	<b>39.9</b>	<b>(1.1)</b>	<b>43.9</b>	<b>42.8</b>	<b>(5.6)</b>	<b>81.1</b>	<b>75.5</b>
Other income			2.5			-			-
Net gain on step acquisition of foreign operation			-			5.8			5.8
Net finance costs			(0.7)			(2.4)			(0.1)
<b>Profit before taxation</b>			<b>41.7</b>			<b>46.2</b>			<b>81.2</b>
Taxation			(8.4)			(8.5)			(14.4)
Loss for the period from discontinued operations			-			-			(0.2)
<b>Profit for the period</b>			<b>33.3</b>			<b>37.7</b>			<b>66.6</b>

Entity-wide disclosures	(unaudited) At 1 July 2018			(unaudited) (restated) At 25 June 2017			(restated) At 31 December 2017		
	International £m	UK & Ireland £m	Total £m	International £m	UK & Ireland £m	Total £m	International £m	UK & Ireland £m	Total £m
<b>Assets</b>									
Segment assets	98.9	240.0	338.9	96.7	174.8	271.5	98.1	216.8	314.9
Equity accounted investments - investment in associates	19.3	13.8	33.1	13.0	12.5	25.5	14.2	13.2	27.4
Assets relating to discontinued operations			0.3			0.3			1.3
Unallocated assets			26.4			40.4			37.3
<b>Total assets</b>	<b>118.2</b>	<b>253.8</b>	<b>398.7</b>	<b>109.7</b>	<b>187.3</b>	<b>337.7</b>	<b>112.3</b>	<b>230.0</b>	<b>380.9</b>
<b>Liabilities</b>									
Segment liabilities	22.3	108.1	130.4	27.9	98.1	126.0	18.6	146.5	165.1
Liabilities relating to discontinued operations			1.6			3.3			2.9
Unallocated liabilities			214.0			108.8			148.2
<b>Total liabilities</b>	<b>22.3</b>	<b>108.1</b>	<b>346.0</b>	<b>27.9</b>	<b>98.1</b>	<b>238.1</b>	<b>18.6</b>	<b>146.5</b>	<b>316.2</b>

# Notes to the Group interim report (continued)

26 weeks ended 1 July 2018

## 4. Segmental information (continued)

Unallocated assets include cash and cash equivalents and taxation assets. Unallocated liabilities include the share buyback obligation, bank revolving facility and taxation liabilities.

	(unaudited) At 1 July 2018 £m	(unaudited) At 25 June 2017 £m	At 31 December 2017 £m
Deferred tax asset	7.9	7.3	8.3
Cash and cash equivalents	18.5	33.1	29.0
<b>Unallocated assets</b>	<b>26.4</b>	<b>40.4</b>	<b>37.3</b>
Current tax liabilities	8.9	10.3	8.2
Deferred tax liabilities	7.4	10.3	7.8
Bank revolving facility	197.0	88.2	113.9
Share buyback obligation	0.7	-	18.3
<b>Unallocated liabilities</b>	<b>214.0</b>	<b>108.8</b>	<b>148.2</b>

## 5. Items excluded from non-GAAP measures

### Non-underlying items included in financial statements

	(unaudited) 26 weeks ended 1 July 2018			(unaudited) 26 weeks ended 25 June 2016			53 weeks ended 31 December 2017		
	Before non- underlying items £m	Non- underlying items £m	Total £m	Before non- underlying items £m	Non- underlying items £m	Total £m	Before non- underlying items £m	Non- underlying items £m	Total £m
<b>Continuing operations</b>									
<b>Revenue</b>	259.1	-	259.1	211.3	-	211.3	474.6	-	474.6
Cost of sales	(148.8)	(4.0)	(152.8)	(125.8)	-	(125.8)	(280.7)	-	(280.7)
<b>Gross profit</b>	110.3	(4.0)	106.3	85.5	-	85.5	193.9	-	193.9
Other operating costs	(66.6)	(1.1)	(67.7)	(42.8)	(1.0)	(43.8)	(101.9)	(19.7)	(121.6)
	43.7	(5.1)	38.6	42.7	(1.0)	41.7	92.0	(19.7)	72.3
Share of post-tax profits/(losses) of associates and joint ventures	2.7	(1.4)	1.3	1.6	(0.5)	1.1	3.9	(0.7)	3.2
<b>Operating profit</b>	46.4	(6.5)	39.9	44.3	(1.5)	42.8	95.9	(20.4)	75.5
Other income	-	2.5	2.5	-	-	-	-	-	-
Net gain on step acquisition of foreign operations	-	-	-	-	5.8	5.8	-	5.8	5.8
<b>Profit before interest and taxation</b>	46.4	(4.0)	42.4	44.3	4.3	48.6	95.9	(14.6)	81.3
Finance income	1.0	-	1.0	0.2	-	0.2	1.8	-	1.8
Finance expense	(1.7)	-	(1.7)	0.1	(2.7)	(2.6)	(1.5)	(0.4)	(1.9)
<b>Profit before taxation</b>	45.7	(4.0)	41.7	44.6	1.6	46.2	96.2	(15.0)	81.2
Taxation	(9.0)	0.6	(8.4)	(8.7)	0.2	(8.5)	(17.5)	3.1	(14.4)
<b>Profit for the period from continuing operations</b>	36.7	(3.4)	33.3	35.9	1.8	37.7	78.7	(11.9)	66.8
<b>Discontinued operations</b>									
Loss for the period from discontinued operations	-	-	-	-	-	-	(0.2)	-	(0.2)
<b>Profit for the period</b>	36.7	(3.4)	33.3	35.9	1.8	37.7	78.5	(11.9)	66.6
<b>Profit/(loss) attributable to:</b>									
- Equity holders of the parent	37.5	(2.7)	34.8	35.8	2.0	37.8	78.0	(10.5)	67.5
- Non-controlling interests	(0.8)	(0.7)	(1.5)	0.1	(0.2)	(0.1)	0.5	(1.4)	(0.9)
<b>Profit for the period</b>	36.7	(3.4)	33.3	35.9	1.8	37.7	78.5	(11.9)	66.6

# Notes to the Group interim report (continued)

26 weeks ended 1 July 2018

## 5. Items excluded from non-GAAP measures (continued)

### UK supply chain transformation - £(1.9)m

In April of this year the Group opened a new supply chain centre in Warrington as part of a transformation of the production and distribution network in the UK. As part of this transformation the Group has incurred commissioning and ramp up costs of £1.9m included in Cost of sales.

### Conversion of Norway acquisition - £(2.1)m

Store conversion costs in Cost of sales of £2.1m have been recognised in relation to the Dolly Dimple's stores, which are being converted to Domino's as required under the Master Franchise Agreement ('MFA') held with Domino's Pizza, Inc. (DPI).

### Non-underlying amortisation - £(1.1)m

In the period there has been amortisation on acquired intangibles of £0.4m relating to the SFA recognised on acquisition of the London corporate stores. This is considered to be non-underlying as Domino's Pizza Group has a policy of franchise agreements having an indefinite life, however as the SFA is deemed to be a reacquired right, IFRS 3 requires the asset to be amortised. In addition the Group is upgrading its mobile app and web platforms and accelerated amortisation of £0.7m has been incurred. The Group has not recharged the NAF for this amount, which it would ordinarily. These amounts are included in Other operating costs.

### German joint venture store conversion - £(1.4)m

Included in Share of post-tax profits/(losses) of associates and joint ventures are acquisition and store network conversion costs of £1.4m which relate to the rebranding and associated costs to execute the conversion of the Hallo Pizza stores in Germany, acquired in January 2018, to comply with Domino's international brand standards.

### Market Access Fee fair value uplift - £2.5m

During the period the fair value of the Market Access Fee increase of €2.8m (£2.5m) has been recognised in the income statement in Other income. This increase is a reflection of the underlying performance of Daytona JV Limited and the expected future returns as a result of the acquisition of Hallo Pizza in January 2018.

### Non-underlying tax - £0.6m

The tax credit of £0.6m relates to the non-underlying expenses.

The non-underlying items in the period have resulted in a net cash outflow of £4.0m.

There has been no movement in the provision made in 2017 for the reversionary share plan.

## 6. Finance income and expense

	(unaudited) 26 weeks ended 1 July 2018 £m	(unaudited) 26 weeks ended 25 June 2017 £m	53 weeks ended 31 December 2017 £m
<b>Finance income</b>			
Other interest receivable	0.4	-	0.3
Interest on loans to associates and joint ventures	0.2	0.2	0.5
Foreign exchange	-	-	1.0
Unwinding of discount	0.4	-	-
<b>Total finance income</b>	<b>1.0</b>	<b>0.2</b>	<b>1.8</b>
<b>Finance expense</b>			
Bank revolving credit facility interest payable	(1.6)	(0.7)	(1.9)
Foreign exchange	(0.1)	(1.9)	-
<b>Total finance expense</b>	<b>(1.7)</b>	<b>(2.6)</b>	<b>(1.9)</b>
<b>Net finance expense</b>	<b>(0.7)</b>	<b>(2.4)</b>	<b>(0.1)</b>

# Notes to the Group interim report (continued)

26 weeks ended 1 July 2018

## 7. Taxation

### (a) Tax on profit on ordinary activities

	(unaudited) 26 weeks ended 1 July 2018 £m	(unaudited) 26 weeks ended 25 June 2017 £m	53 weeks ended 31 December 2017 £m
<b>Tax charged in the income statement</b>			
Current income tax:			
UK corporation tax:			
– current period	7.0	8.6	15.7
– adjustment in respect of prior periods	-	-	(0.5)
	7.0	8.6	15.2
Income tax on overseas operations	-	-	1.6
<b>Total current income tax charge</b>	<b>7.0</b>	<b>8.6</b>	<b>16.8</b>
Deferred tax:			
Origination and reversal of temporary differences	1.4	-	(2.2)
Effect of change in tax rate	-	-	0.5
Adjustment in respect of prior periods	-	-	(0.3)
<b>Total deferred tax</b>	<b>1.4</b>	<b>-</b>	<b>(2.0)</b>
<b>Tax charge in the income statement</b>	<b>8.4</b>	<b>8.6</b>	<b>14.8</b>
The tax charge in the income statement is disclosed as follows:			
Continuing operations	8.4	8.5	14.4
Discontinued operations	-	0.1	0.4
<b>Tax relating to items credited to equity</b>			
Reduction in current tax liability as a result of the exercise of share options	(0.3)	0.1	0.4
Origination and reversal of temporary differences in relation to unexercised share options	-	-	0.1
<b>Tax credit in the Group statement of changes in equity</b>	<b>(0.3)</b>	<b>0.1</b>	<b>0.5</b>

There is no tax impact in relation to the foreign exchange differences in the statement of comprehensive income.

# Notes to the Group interim report (continued)

26 weeks ended 1 July 2018

## 8. 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 is calculated by dividing the profit attributable to ordinary equity holders 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.

### Earnings

	(unaudited) 26 weeks ended 1 July 2018 £m	(unaudited) 26 weeks ended 25 June 2017 £m	53 weeks ended 31 December 2017 £m
<b>Continuing operations</b>			
Profit attributable to owners of the parent	34.8	37.7	67.7
Non-underlying items:			
– Included in operating profit	5.1	1.0	19.7
– Amounts included within share of post-tax result of associates and joint ventures	1.4	0.5	0.7
– Other income	(2.5)	-	-
– Net gain on step acquisition of foreign operations	-	(5.8)	(5.8)
– Net finance costs	-	2.7	0.4
– Tax	(0.6)	(0.1)	(3.1)
– Attributable to non-controlling interests	(0.7)	(0.2)	(1.4)
Underlying profit attributable to owners of the parent	37.5	35.8	78.2
<b>Continuing and discontinued operations</b>			
Continuing operations profit attributable to owners of the parent	34.8	35.8	67.7
Discontinued operations loss attributable to owners of the parent	-	-	(0.2)
Total profit attributable to owners of the parent	34.8	35.8	67.5

### Weighted average number of shares

	(unaudited) 26 weeks ended 1 July 2018	(unaudited) 26 weeks ended 25 June 2017	53 weeks ended 31 December 2017
Basic weighted average number of shares (excluding treasury shares)	478,904,511	490,687,750	489,375,873
Dilutive effect of share options and awards	6,870,475	5,895,623	6,690,858
Diluted weighted average number of shares	485,774,986	496,583,373	496,066,731

The performance conditions relating to share options granted over 1,996,173 shares (31 December 2017: 2,041,160) 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 has not been included in the diluted earnings per share calculation.

There are no share options excluded from the diluted earnings per share calculation because they would be antidilutive (2017: nil).

### Earnings per share

	(unaudited) 26 weeks ended 1 July 2018	(unaudited) 26 weeks ended 25 June 2017	53 weeks ended 31 December 2017
<b>Continuing operations</b>			
Basic earnings per share	7.2p	7.7p	13.8p
Diluted earnings per share	7.1p	7.6p	13.6p
Underlying earnings per share:			
Basic earnings per share	7.8p	7.3p	16.0p
Diluted earnings per share	7.7p	7.2p	15.8p
<b>Discontinued operations</b>			
Basic earnings per share	-	-	-
Diluted earnings per share	-	-	-
<b>Continuing and discontinued operations</b>			
Basic earnings per share	7.2p	7.7p	13.8p
Diluted earnings per share	7.1p	7.6p	13.6p

# Notes to the Group interim report (continued)

26 weeks ended 1 July 2018

## 9. Dividends

	(unaudited) 26 weeks ended 1 July 2018 £m	(unaudited) 26 weeks ended 25 June 2017 £m	53 weeks ended 31 December 2017 £m
Declared and paid during the period:			
Final dividend for 2018: 5.25p (2017: 4.50p)	25.2	22.0	22.0
Interim dividend for 2017: 3.75p (2016: 3.50p)	-	-	18.4
<b>Dividends paid</b>	<b>25.2</b>	<b>22.0</b>	<b>40.4</b>

The directors have declared an interim dividend of 4.05p per share. This dividend will be paid on 14 September 2018 to those members on the register at the close of business on 17 August 2018.

## 10. Property, plant and equipment

During the 26 weeks ended 1 July 2018, the Group acquired assets with a cost of £10.3m, of which £5.1m relates to the completion of the new supply chain centre in Warrington and £3.7m to opening, relocating and refurbishing international corporate stores. In April 2018 the supply chain centre was opened.

## 11. Investment in associates and joint ventures

	(unaudited) 26 weeks ended 1 July 2018 £m	(unaudited) 26 weeks ended 25 June 2017 £m	53 weeks ended 31 December 2017 £m
Investments in associates	26.7	19.4	20.8
Investments in joint ventures	6.4	6.1	6.5
<b>Total investments in associates and joint ventures</b>	<b>33.1</b>	<b>25.5</b>	<b>27.3</b>

On 8 January 2018, the Group increased its investment by €6.0m (£5.4m) and loaned an additional €6.0m (£5.4m) to Daytona JV Limited in order to maintain its 33.3% ownership and fund the acquisition of an existing pizza chain in Germany, Hallo Pizza GmbH.

## 12. Business combinations

On 15 January 2018, the Group acquired a further 44.3% of Pizza Pizza EHF for consideration of ISK3.7bn (£26.8m), increasing the proportion of voting rights and share capital to 95.3%.

As a result of this acquisition, £26.3m of the put option liability was derecognised. The non-controlling interest in Pizza Pizza EHF was adjusted by a £10.0m debit and the Other reserve relating to the initially recognised put options was adjusted by a £9.5m credit. The £0.5m variance between these amounts was realisation of the foreign exchange movements on the initial liability in the income statement. For further information on this refer to the Statement of Changes in Equity.

For the business combinations completed in the prior period no measurement period adjustments have been made to the acquisition balance sheets in the current period.

## 13. Financial liabilities

### Banking facilities

At 1 July 2018 the Group had a total of £359.5m (31 December 2017: £359.5m) of banking facilities, of which £155.9m (31 December 2017: £241.3m) was undrawn.

### Bank revolving facility

The Group has a £350.0m multicurrency syndicated revolving credit facility with a term of five years to 13 December 2022.

Interest charged on the revolving credit facility ranges from 0.75% per annum above LIBOR (or equivalent) when the Group's leverage is less than 1:1 up to 1.80% per annum above LIBOR for leverage above 2.5:1. A further utilisation fee is charged if over one-third utilised at 0.15% which rises to 0.30% of the margin rate if over two-thirds is drawn. In addition, a commitment fee is calculated on undrawn amounts based on 35% of the current applicable margin.

Arrangement fees of £2.9m (31 December 2017: £3.2m) directly incurred in relation to the facility are included in the carrying values of the facility and are being amortised over the term of the facility.

The facility is secured by an unlimited cross guarantee between Domino's Pizza Group plc, Domino's Pizza UK and Ireland Limited, DPG Holdings Limited, DP Realty Limited, DP Pizza Limited and DP Group Developments Limited, DP Cyco Switzerland Limited and Domino's Pizza GmbH.

# Notes to the Group interim report (continued)

26 weeks ended 1 July 2018

## 13. Financial liabilities (continued)

### Other loans

The Group has an asset finance facility of £5.0m (31 December 2017: £5.0m) with a term of five years. The balance drawn down on this facility as at 1 July 2018 is £0.1m (31 December 2017: £0.2m). 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 £0.3m) and over the assets financed. The facility's interest rate is fixed at 5.9% (2017: 5.9%).

DP Norway AS has access to a NOK 4.0m (£0.4m) overdraft and NOK 50.0m (£4.5m) five year term loan facility provided by Nordea Bank AB. Interest is charged 0.6% above NIBOR for each overdraft utilisation plus a yearly commission of 0.9%. At 1 July 2018 NOK 40.0m (£3.5m) (31 December 2017: NOK 40.0m (£3.5m)) was drawn on the term loan facility. Interest is charged at 1.35% above NIBOR with a yearly commission of 0.6%. Both the overdraft and loan facility are guaranteed by the Company.

### Gross put options liabilities

On acquisition of Pizza Pizza EHF and DPN, and the subsequent hive out of PPS Foods AB, a liability at the present value of the gross amount of the put options held by the non-controlling interests over the remaining shareholding was recognised on consolidation amounting to £34.8m. The liability at the balance sheet date was £8.4m, with options over 44.3% of shares of Pizza Pizza EHF lapsing as the shares were purchased during the period, outside of the exercise window.

The value of the financial liabilities is the discounted value of the gross liabilities for the put options based on the expected value of the consideration on exercise of the options. The put option liability is based on a forecast EBITDA multiple of the respective businesses during the exercise period. The option windows are between 1 July 2019 and 31 August 2023.

On acquisition of London corporate stores on 5 October 2017, a liability at the present value of the gross amount of the put options was held by the non-controlling interests over the remaining shareholding has been recognised on consolidation amounting to £5.6m. The option is exercisable at this value from six months of the acquisition date for a period of six months.

## 14. Financial instruments

Set out below are the Group's financial instruments that are carried in the financial statements at fair value:

	Carrying value 1 July 2018 £m	Fair value 1 July 2018 £m	Carrying value 25 June 2017 £m	Fair value 25 June 2017 £m	Carrying value 31 December 2017 £m	Fair value 31 December 2017 £m
<b>Financial assets</b>						
Derivative financial assets	11.8	11.8	8.5	8.5	9.0	9.0
<b>Financial liabilities</b>						
Gross put option liabilities	14.0	14.0	36.9	36.9	40.3	40.3

IFRS 13 requires the classification of financial instruments measured at fair value to be determined by reference to the source of inputs used to derive fair value.

The contingent consideration of €25.0m (£22.2m) payable by Domino's Pizza Enterprises Limited (referred to as the "Market Access Fee") in respect of Domino's Pizza Group plc divesting its interests in operating Domino's Pizza stores in Germany and its exclusive access to the German market, held through its shareholding in DP Cyco Limited and which became payable from 2017, is carried at a fair value of €13.5m (£11.8m) within derivative financial assets. The contingent consideration is payable by instalments from 2017, the payment of each instalment being determined by reference to the German business achieving defined levels of EBITDA. As at 1 July 2018, no payments were due.

During the period the fair value of the Market Access Fee increase of €2.8m (£2.5m) has been recognised in the income statement in other income. This increase is a reflection of the underlying performance of Daytona JV Limited and the expected future returns as a result of the acquisition of Hallo Pizza in January 2018.

The inputs used to calculate the fair value of the Market Access Fee fall within Level 3 of the IFRS 13 hierarchy. Level 3 fair value measurements use unobservable inputs for the asset (or liability).

The fair value of the financial asset recognised is calculated by discounting all future cash flows by the appropriate discount rate for the German associated Company. The payments are calculated applying an income approach valuation methodology, considering different scenarios of projected EBITDA, weighted by the probability of each scenario. The fair value is based on a mid-point in the range of probable fair value outcomes of €12.2m to €14.8m based on a range of EBITDA forecasts.

Description of significant unobservable inputs to valuation:

Significant unobservable inputs	Range	Sensitivity of the input to the fair value
WACC	8.5% to 9.5%	0.5% increase (or decrease) in the WACC would result in a decrease (or increase) in fair value of €0.2m.

### Gross put options liabilities

The inputs used to calculate the fair value of the put options fall within level 3 of the IFRS 13 hierarchy. Level 3 fair value measurements use unobservable inputs for the asset (or liability). These inputs include the expected performance of the business during the exercise period. See note 13 for details.

# Notes to the Group interim report (continued)

26 weeks ended 1 July 2018

## 15. Share-based payments

The expense recognised for share-based payments in respect of employee services received during the 26 weeks ended 1 July 2018 was £1.1m (25 June 2017: £1.6m). This all arises on equity-settled share-based payment transactions.

## 16. Share buybacks

	(unaudited) 26 weeks ended 1 July 2018		(unaudited) 26 weeks ended 25 June 2017		53 weeks ended 31 December 2017	
	Shares	Consideration including fees	Shares	Consideration including fees	Shares	Consideration including fees
	No.	£m	No.	£m	No.	£m
Shares bought back into treasury and cancelled	10,350,000	36.7	2,679,384	10.1	7,849,454	26.8
Shares bought back into treasury by the Employee Benefit Trust	600,000	2.2	2,940,000	9.8	2,940,000	9.8
	10,950,000	38.9	5,619,384	19.9	10,789,454	36.6

During the period the Group impaired treasury shares by £1.3m (2017: £0.9m) on issue of shares at a price lower than historic cost.

## 17. Related party transactions

During the period the Group entered into transactions, in the ordinary course of business, with related parties. Transactions entered into, and trading balances outstanding with related parties, are as follows:

	(unaudited) 26 weeks ended 1 July 2018	(unaudited) 26 weeks ended 25 June 2017	53 weeks ended 31 December 2017
	£m	£m	£m
	<b>Associates and Joint ventures</b>		
Sales to related parties	18.3	15.4	33.0
Amounts owed by related parties	1.8	1.6	1.9
Loans owed by related parties	18.3	13.0	13.1

## 18. Post balance sheet events

On 6 August 2018, the Group acquired 100% of the share capital of Hamandi Investments Limited, a franchisee that operates six Domino's stores in London. The consideration is expected to be £7.5m cash and the acquisition strengthens the Group's corporate store network in London. The initial accounting for the business combination is incomplete and therefore disclosures relating to the fair value of assets and liabilities, the amount of goodwill to be recognised and expected to be deductible for tax purposes and the transaction costs have not been included.

## 19. Analysis of net debt

	(unaudited) 26 weeks ended 1 July 2018	(unaudited) 26 weeks ended 25 June 2017	53 weeks ended 31 December 2017
	£m	£m	£m
	Cash and cash equivalents	18.5	33.1
Bank revolving facility	(197.0)	(88.2)	(113.9)
Finance leases	(0.1)	(0.3)	(0.4)
Other loans	(3.5)	(5.6)	(3.9)
<b>Net debt</b>	<b>(182.1)</b>	<b>(61.0)</b>	<b>(89.2)</b>

# Notes to the Group interim report (continued)

26 weeks ended 1 July 2018

## 20. Additional cash flow information

	(unaudited) 26 weeks ended 1 July 2018 £m	(unaudited) 26 weeks ended 25 June 2017 £m	53 weeks ended 31 December 2017 £m
<b>Working capital movements</b>			
(Increase)/decrease in inventories	(2.1)	1.8	2.2
(Increase)/decrease in receivables	(7.3)	(4.8)	3.0
(Decrease)/increase in payables	(1.0)	0.5	7.6
Increase in deferred income	1.6	0.7	5.8
	(8.8)	(1.8)	18.6
<b>Other movements</b>			
Share of post-tax profits of associates	(1.3)	(1.1)	(3.2)
Share option and LTIP charge	1.1	1.7	1.7
(Decrease)/increase in provisions	(0.5)	(0.1)	11.1
Operating loss on discontinued operations	-	(0.5)	(0.7)
Net gain on step acquisition of foreign operations	-	(5.8)	(5.8)
Increase on derivative financial assets	(2.5)	-	-
Loss on disposal of non-current assets	-	-	0.4
	(3.2)	(5.8)	3.5

## 21. 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 22 to 26 of the Domino's Pizza Group plc Annual Report and Accounts 2017.

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

### Strategic risks

- People-related risks
- Failure to respond to and overcome competitive pressures
- Inability to react to changes in the health debate and public desire for healthier food
- Failure to achieve UK growth through new store openings
- Commercial leverage of large franchises

### Operational risks

- Food safety
- Interruption of raw material supplies
- Supply Chain Centres unable to supply the stores
- Failure of online ordering systems for a prolonged or critical period
- Loss of personal data relating to customers, employees or others; loss of corporate data

As the Group expands its International presence there is increasing exposure to fluctuations in foreign currency. This will be mitigated where possible through treasury activity.

A copy of the Annual Report and Accounts 2017 is available at [investors.dominos.co.uk](http://investors.dominos.co.uk)

## Alternative Performance Measures

The performance of the Group is assessed using a number of Alternative Performance Measures (APMs).

The Group's results are presented both before and after non-underlying items. Underlying profitability measures are presented excluding non-underlying items as we believe this provides both management and investors with useful additional information about the Group's performance and aids a more effective comparison of the Group's trading performance from one period to the next and with similar businesses. Underlying profitability measures are reconciled to unadjusted IFRS results on the face of the income statement with details of non-underlying items provided in note 5.

In addition, the Group's results are described using certain other measures that are not defined under IFRS and are therefore considered to be APMs. These measures are used by management to monitor on-going business performance against both shorter term budgets and forecast but also against the Group's longer term strategic plans. The definition of each APM presented in this report and, also, where a reconciliation to the nearest measure prepared in accordance with IFRS can be found is shown below.

APMs used to explain and monitor Group performance:

<b>Measure</b>	<b>Definition</b>	<b>Location of reconciliation to GAAP measure</b>
Underlying operating profit	Group operating profit before tax excluding non-underlying items	Group income statement
Net interest before non-underlying items	Group finance costs excluding non-underlying items	Group income statement
Underlying profit before taxation	Group profit before tax excluding non-underlying items	Group income statement
Underlying profit for the period from continuing operations	Group profit from continuing operations excluding non-underlying items	Group income statement
Non-underlying items	Items that are material in size, unusual or infrequent in nature, and are disclosed separately as non-underlying items in the notes to the accounts.	Note 5
Underlying basic EPS	Group EPS excluding non-underlying items	Note 7
Net debt	Group cash less Group loan and financing liabilities	Note 19
Group system sales	System sales represent the sum of all sales made by both franchised and corporate stores to consumers.	Not applicable
UK like-for-like (LFL) sales growth	LFL sales performance is calculated against a comparable 26 week period in the prior year for mature stores opened before 25 December 2016 and which were not in territories split in the year	Not applicable
Mature store	A store open in the current and comparative period	Not applicable
Free cash flow	Underlying Profit before depreciation and amortisation and after working capital and on-going business as usual capital expenditure, tax and interest.	Financial review
Last 12 months (LTM) EBITDA	LTM EBITDA for the period from 26 June 2017 to 1 July 2018 based on underlying activities including share of profits from associates and joint ventures.	Not applicable

# Responsibility statement

Each of the Directors, whose names and functions appear below, confirm to the best of their knowledge that the condensed interim financial statements have been prepared in accordance with IAS 34, 'Interim Financial Reporting', as issued by the IASB and adopted by the European Union and that the interim management report herein includes a fair review of the information required by the Disclosure and Transparency Rules (DTR), namely:

- DTR 4.2.7 (R): an indication of important events that have occurred during the 26 week period ended 1 July 2018 and their impact on the condensed interim financial statements, and a description of the principal risks and uncertainties for the remaining 26 weeks of the financial year; and
- DTR 4.2.8 (R): any related party transactions in the 26 week period ended 1 July 2018 that have materially affected, and any changes in the related party transactions described in the Annual Report and Accounts 2017 that could materially affect the financial position or performance of the enterprise during that period.

The Directors of Domino's Pizza Group plc as at the date of this announcement are as set out below:

Stephen Hemsley\*, Non-executive Chairman  
Colin Halpern\*, Non-executive Vice-Chairman  
David Wild, Chief Executive Officer  
Kevin Higgins\*  
Ebbe Jacobsen\*  
Helen Keays\*  
Steve Barber\*

\*Non-executive Directors

A list of the current Directors is maintained on the Domino's Pizza Group plc website at: [corporate.dominos.co.uk](http://corporate.dominos.co.uk).

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from the legislation in other jurisdictions.

This responsibility statement was approved by the Board of Directors on 6 August 2018 and is signed on its behalf by David Wild, Chief Executive Officer.

By order of the Board

David Wild  
Chief Executive Officer

6 August 2018

# 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 interim report for the 26 weeks ended 1 July 2018 which comprises the Group Income Statement, Group Statement of Comprehensive Income, Group Balance Sheet, Group Cash Flow Statement, Group Statement of Changes in Equity and related notes 1 to 21. We have read the other information contained in the interim 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 interim report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Disclosure Guidance 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 interim 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 interim 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 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 interim report for the 26 weeks ended 1 July 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP  
Birmingham  
6 August 2018