For Immediate Release 28 July 2003

DOMINO'S PIZZA UK & IRL plc

INTERIM RESULTS
FOR THE TWENTY-SIX WEEKS ENDED 29 JUNE 2003

Domino's Pizza UK & IRL plc ("Domino's Pizza", symbol: DOM) announces its interim results for the twenty-six weeks ended 29 June 2003.

Highlights

- Profit before tax increased 68.8% to £2.90m. (2002: £1.72m)
- Earnings per share:
  - Basic earnings per share up 58.1% to 3.70p. (2002: 2.34p)
  - Diluted earnings per share up 57.7% to 3.47p. (2002: 2.20p)
- Interim dividend increased 69.2% to 1.32p per share. (2002: 0.78p)
- Interest costs covered 33.6 times by operating profits (2002: 9.9 times)
- System sales increased 18.8% to £68.6m. (2002: £57.8m)
- Like for like sales up 6.9%.
- Record store openings with 21 new stores opened in the period (2002: 18 stores) resulting in a total of 290 stores at the period end (2002: 255 stores).
- Approval sought to establish an Employee Benefit Trust, Long Term Incentive Programme and replacement share option schemes.

Stephen Hemsley, Chief Executive of Domino's Pizza, commented:

"I am pleased to report further significant progress in the first half of the financial year with record system sales, a record number of store openings and record profits.

"These results have been achieved by holding fast to the basic principles of the Domino's Pizza business; to deliver a high quality pizza in the promised time from great-looking efficient stores that are staffed by dedicated, customer focused people. We look forward to the future with confidence."

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Notes to editors:

Domino's Pizza is the leading player in the UK and Ireland's fast-growing pizza delivery market. Domino's Pizza UK & IRL plc is the parent company of Domino's Pizza Group Ltd which holds the exclusive master franchise to own, operate and franchise Domino's Pizza stores in the UK and Ireland. The first UK store opened in 1985 and the first Irish store opened in 1991. As at 29 June 2003, there were 290 stores in the UK and Ireland.

Founded in the United States in 1960, Domino's Pizza is the recognised world leader in pizza delivery with a network of over 7,000 company-owned and franchised stores in the more than 50 international markets. Domino's is committed to leading the pizza delivery industry in product quality and operational excellence.

CHIEF EXECUTIVE'S STATEMENT

Introduction

I am pleased to report further significant progress in the first half of the financial year with record system sales, a record number of store openings and record profits. We have made a good start on the rationalisation of our corporate store portfolio, generating a strong cash flow that has been used to significantly reduce borrowings. Our balance sheet at the half-year is, therefore, strong.

These results have been achieved by holding fast to the basic principles of the Domino's Pizza brand: to deliver a high quality pizza in the promised time from great-looking, efficient stores that are staffed by dedicated, customer-focussed people. It is, therefore, fitting that I begin my report by commending our team of exceptional franchisees and team members whose enthusiasm and commitment continues to drive this business forward.

Sales

The growth in system sales in the first half of 2003 saw the Company extend its market leadership in pizza delivery in terms of both total sales and number of stores. System sales, which are the sales of all stores in the Domino's system in the UK and Republic of Ireland, rose by 18.8% to £68.6m (2002: £57.8m) in the six months ended 29 June 2003. Like-for-like sales in the 235 stores open for twelve months or more in both years grew by 6.9% (2002:15.8%).

Our e-commerce sales also continue to grow very strongly, up 47.4 % over the previous year. These channels now generate 4.1 % of total system sales.

Trading Results

Group turnover, which includes the sales generated by the company from royalties, fees, food sales and rental income as well as the turnover of corporately-owned and operated stores, grew by 15.9% to £30.4m from £26.2m.

Group operating profit, before an exceptional cost of £0.3m referred to below, was up 54.9% to £2.91m from £1.88m on system sales 18.8% ahead. If the effect of the final increase in the royalty were eliminated, underlying profits increased by 62.2%. This significant increase in profits demonstrates the leverage we are now achieving on our relatively fixed cost base. The opening of our third commissary in the second half of last year gives us most of the infrastructure necessary to support a system of around 500 stores opening at a rate of 50 stores per year. Further investment will be needed to grow to the now-anticipated build-out target of 800 stores but this will not be required for several years and should be comfortably funded out of cash flow.

In line with our policy of focusing the business on system expansion, we are reducing the number of stores we own and manage corporately. As a result, the number of corporate stores was reduced from 35 at the year-end to 26 at the half-year following the sale of ten stores to franchisees and the opening of one new store. This activity (and the sale of one store by a joint-venture company) generated a profit of £0.33m which has been treated as exceptional by virtue of the number of stores that were sold in the period. Further corporate store sales and openings are anticipated in the second half. We hope to start 2004 with a more geographically-focused core of corporate stores that should generate shareholders an acceptable return on their investment.

Strong trading and the proceeds from store disposals resulted in strong cash generation in the first half. This, combined with lower interest rates, resulted in a 53.9% fall in the net interest expense to £0.09m (2002: £0.19m). The total interest charge was covered 33.6 times by operating profit (2002: 9.9 times).

Profit before tax was up 68.8% to £2.90m (2002: £1.72m). The tax charge increased from 31.5% to 35%, principally as a result of the tax treatment of the profit on the disposal of corporate stores. Profit after tax therefore grew by 60.1% to £1.89m (2002: £1.18m).

Earnings per share and dividend

Basic earnings per share were up 58.1% to 3.70 pence (2002: 2.34 pence). Diluted earnings per share increased by 57.7% to 3.47 pence from 2.20 pence.

The Board is pleased to declare an increase of 69.2% in the interim dividend to 1.32 pence per share (2002: 0.78 pence per share). The interim dividend is covered 2.8 times by profit after tax (2002: 3.0 times), which is the same level of cover established for the previous full year. This increase represents a continuation of our progressive dividend policy. This dividend will be paid on 28 August 2003 to shareholders on the register on 8 August 2003.

Cash Flow & Balance Sheet

Operating activities generated net cash of £3.1m (2002: £1.6m). At the period end, the Company had net borrowings of £4.9m (2002: £8.0m) against shareholders funds of £13.0m (2002: £10.5m), a capital-gearing ratio of 37.5% (2002: 76.4%). Of the total borrowing £2.2m (2002: £1.7m) related to the very limited recourse financing of a wholly owned subsidiary, DP Capital Ltd. This subsidiary provides leasing finance to franchisees for the refit of existing stores and equipment for new stores.

System Expansion & Re-Imaging

The first half of 2003 saw a record 21 new stores opened (2002: 18 stores), continuing the promised acceleration in the rate of system expansion. This equates to almost as many stores as were opened in each of 2000 and 2001. There were no store closures in this half-year. As a result, the total store count at 29 June 2003 was 290 (30 June 2002: 255 stores). We are, therefore, making good progress towards reaching our target opening rate of 50 stores per year.

The pipeline of new openings for the second half is strong, with a record number of new franchisees in training to open stores. Both the quality and volume of franchise applicants is testament to the strength of the Domino's brand and the potential for our franchisees to enjoy a good return on their investment. Accordingly, we were pleased to welcome 13 new franchisees to the system in the first half of the year bringing the total to 117.

Throughout the period, we continued with a rolling programme of re-imaging to ensure that the estate of the mature stores is in line with the latest standards. At the period end, 90% of our stores had been re-imaged and most of the balance will be completed by the year-end. Such is our commitment to the very highest image standards that any store not refitted by the year-end will be scheduled for closure and the territory re-franchised.

Extraordinary General Meeting

We will shortly be posting a circular to shareholders convening an Extraordinary General Meeting ("EGM") at which they will be asked to approve the establishment of an Employee Benefits Trust ("EBT"), a Long Term Incentive Programme ("LTIP") for the benefit of senior executives and a new share option scheme for other staff that will partially replace the existing scheme and allow further options to be granted in a more tax (and National Insurance) efficient manner.

After the approval of these schemes, it is expected that a tender offer will be made by the EBT for share in the Company, details of which will be contained in a tender offer document to be posted to all shareholders.

Finally, and pursuant to the approval given by shareholders at the Annual General Meeting for the company to purchase its own shares, shareholders will be asked to approve the waiver of Rule 9 of the City Code on Takeovers and Mergers. Without such a waiver any buy-in by the Company of its own shares would trigger an obligation by our largest shareholder, Nigel Wray, to make a compulsory bid for the company as his shareholding would exceed 30%.

The commercial purpose of these schemes is to allow us to better recruit, motivate and retain team members with share incentives, whilst avoiding any further dilution of shareholder interest in the Company. In the longer term and as the prudent management of cash flow allows, this structure will allow us to cover the dilution created by existing options thereby enhancing diluted earnings per share.

As referred to above, the cost of professional fees incurred in implementing these proposals are expected to total £0.3m, which have been treated as an exceptional cost in this period.

Outlook

Current trading continues to be strong. Having established a high level of store sales, a continuation of the double-digit like for like growth experienced in recent years, will be more challenging. However, more modest like-for-like growth experienced, combined with an accelerated rollout of new stores, should yield robust growth in system sales. When combined with the relatively fixed cost base, the growth in profits should continue to be strong. This positive outlook is further enhanced by the prospect of an increasing cash flow, arising from growing profitability, little additional infrastructure expenditure over the next couple of years and store sales. It is proposed that most of this cash flow will be returned to shareholders in the form of enhanced dividends and a share buy-in programme, initially through the EBT. We therefore look forward to the future with confidence.

Conclusion and thanks

I would like to end where I started - by paying tribute to all of our people. I am proud to say that we have one of the most professional and talented teams who continue to work hard at developing the Domino's Pizza brand. They make it their priority to look after our customers and continue to maintain high standards, giving us an all-important edge in a very competitive marketplace.

Stephen Hemsley
Chief Executive

GROUP PROFIT AND LOSS ACCOUNT

	Notes	*(Unaudited) 26 weeks to 29 June 2003 £000*	*(Unaudited) 26 weeks to 30 June 2002 £000*	*Year ended 29 December 2002 £000*
TURNOVER				
Turnover: group and share of joint venture's turnover		31,665	26,909	54,673
Less: share of joint venture's turnover		(1,274)	(693)	(1,564)
GROUP TURNOVER		30,391	26,216	53,109
Cost of sales		(16,758)	(13,906)	(28,054)
GROSS PROFIT		13,633	12,310	25,055
Distribution costs		(4,098)	(4,366)	(8,663)
Administration expenses		(6,626)	(6,066)	(11,813)
Administration expenses – exceptional		(295)	-	-
		2,614	1,878	4,579
Other operating income/(expenses)		–	–	(75)
GROUP OPERATING PROFIT		2,614	1,878	4,504
Share of operating profit in joint venture		47	37	64
Amortisation of goodwill on joint venture		(3)	(3)	(5)
		44	34	59
TOTAL OPERATING PROFIT: GROUP AND SHARE OF JOINT VENTURE		2,658	1,912	4,563
Profit on disposal of Fixed Assets		333	-	-
Net interest payable		(89)	(193)	(324)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,902	1,719	4,239
Tax on profit on ordinary activities		(1,016)	(541)	(1,404)
PROFIT FOR THE FINANCIAL PERIOD		1,886	1,178	2,835
Dividends on equity shares		(674)	(395)	(1,018)
RETAINED PROFIT FOR THE PERIOD		1,212	783	1,817
Earnings per share - basic	3	3.70p	2.34p	5.60p
- diluted		3.47p	2.20p	5.29p

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	(unaudited) 26 weeks to 29 June 2003 £000	*(unaudited)* 26 weeks to 30 June 2002 £000	*Year ended 29 December 2002 £000*
Profit attributable to the financial period	1,212	783	1,817
Unrealised gain on exchange of properties for interest in joint venture	–	–	55
Total gains and losses recognised since the last annual report	1,212	783	1,872

GROUP BALANCE SHEET

	Notes	*(Unaudited)* *29 June* *2003* *£000*	*(Unaudited)* *30 June* *2002* *£000*	*19 December* *2002* *£000*
FIXED ASSETS				
Intangible assets		1,790	2,922	2,386
Tangible assets		12,781	13,755	13,685
Investment in joint venture		288	296	307
		14,859	16,973	16,378
CURRENT ASSETS				
Stocks		1,731	1,213	1,411
Debtors	4	12,576	10,091	10,702
Cash at bank and in hand		1,607	2,409	3,885
		15,914	13,713	15,998
CREDITORS: amounts falling due within one year	5	(12,318)	(12,226)	(12,919)
NET CURRENT ASSETS		3,596	1,487	3,079
TOTAL ASSETS LESS CURRENT LIABILITIES		18,455	18,460	19,457
CREDITORS: amounts falling due after more than one year	6	(4,855)	(7,468)	(7,152)
PROVISION FOR LIABILITIES AND CHARGES – DEFERRED TAXATION		(604)	(509)	(604)
		12,996	10,483	11,701
CAPITAL AND RESERVES				
Called up share capital		2,556	2,531	2,546
Share premium account		2,468	2,281	2,395
Profit and loss account		7,972	5,671	6,760
Equity shareholders' funds		12,996	10,483	11,701

GROUP STATEMENT OF CASH FLOWS

	Notes	(Unaudited) 26 weeks to 29 June 2003 £000	(Unaudited) 26 weeks to 30 June 2002 £000	29 December 2002 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	7	3,061	1,611	5,128
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received		46	22	50
Interest paid		(70)	(173)	(343)
Interest element of finance lease rental payments		(5)	(5)	(9)
		(29)	(156)	(302)
TAXATION				
Corporation tax paid		(598)	(399)	(950)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT				
Payments to acquire intangible fixed assets		(178)	(523)	(214)
Payments to acquire tangible fixed assets		(932)	(2,133)	(3,291)
Receipts from sales of tangible and intangible fixed assets		1,482	4	411
Receipts for repayment of joint venture loan		34	12	46
Payment to acquire finance lease assets and advance of franchise loans		(1,561)	(768)	(1,247)
Receipts from repayment of finance lease and franchise loans		697	391	901
		(458)	(3,017)	(3,394)
ACQUISITIONS AND DISPOSALS				
Purchase of subsidiary undertaking and unassociated business		-	-	(484)
EQUITY DIVIDEND PAID		(622)	(390)	(777)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		1,354	(2,351)	(779)
FINANCING				
Issue of shares		83	102	231
New long-term loans		740	2,036	2,719
Repayments of long-term loans		(4,427)	(567)	(1,443)
Repayment of capital element of finance leases and hire purchase contracts		(27)	(42)	(74)
		(3,631)	1,529	1,433
(DECREASE)/INCREASE IN CASH		(2,277)	(822)	654

NOTES TO THE INTERIM REPORT

1. BASIS OF PREPARATION OF INTERIM FINANCIAL INFORMATION

The interim financial information has been prepared on the basis of the accounting policies set out in the group's statutory accounts for the fifty-two weeks ended 29 December 2002. The taxation charge is calculated by applying the directors' best estimate of the annual tax rate to the profit for the period. All other accounting polices set out in the accounts for the fifty-two weeks ended 29 December 2002 were applied for the purposes of this statement.

Basis of consolidation
The group accounts consolidate the accounts of Domino's Pizza UK & IRL plc and all its subsidiary undertakings drawn up to the nearest Sunday of the month end.

2. TAXATION

The taxation charge is made up as follows:

	(Unaudited) *29 June 2003* *£000*	*(Unaudited)* *30 June 2002* *£000*	*29 December 2002* *£000*
UK corporation tax:			
Profit for the period	986	445	1,229
Share of joint venture tax	30	8	13
Adjustment in respect of the previous period	–	–	(21)
Total current tax	1,016	453	1,221
UK deferred tax			
Origination and the reverse of timing differences in respect of:			
Profit in the period	–	88	183
Total deferred tax	–	88	183
Tax on profit on ordinary activities	1,016	541	1,404

3. EARNINGS PER SHARE

The calculation of basic earnings per ordinary share is based on earnings of £1,886,000 (2002: £1,178,000) and on 50,991,137 (2002: 50,423,812) ordinary shares.

The diluted earnings per share is based on 54,302,965 (2002: 53,446,146) ordinary shares which takes into account theoretical ordinary shares that would have been issued, based on average market value if all outstanding options were exercised.

4. DEBTORS

	(Unaudited) *29 June* *2003* *£000*	*(Unaudited)* *30 June* *2002* *£000*	*29 December* *2002* *£000*
Trade debtors	2,726	2,335	2,394
Amounts owed by joint venture	665	297	699
Other debtors	4,196	3,820	3,661
Prepayments and accrued income	2,552	1,581	2,035
Net investment in finance lease	2,437	2,058	1,913
	12,576	10,091	10,702

Included within debtors is £1,650,000 (2002: £1,976,000) due after more than one year.

5. **CREDITORS:** amounts falling due within one year

	(Unaudited) *29 June* *2003* *£000*	*(Unaudited)* *30 June* *2002* *£000*	*29 December* *2002* *£000*
Bank loans	900	2,400	2,400
Other loans	684	491	612
Finance lease creditors	39	60	29
Trade creditors	3,451	3,991	3,956
Corporation tax	919	320	532
Other taxes and social security costs	612	666	719
Other creditors	1,087	866	931
Accruals and deferred income	3,950	3,045	3,116
Proposed dividend	676	387	624
	12,318	12,226	12,919

6. **CREDITORS:** amounts falling due after more than one year

	(Unaudited) *29 June* *2003* *£000*	*(Unaudited)* *30 June* *2002* *£000*	*29 December* *2002* *£000*
Bank loans	3,325	6,225	5,775
Finance lease creditors	–	39	38
Other loans	1,530	1,204	1,339
	4,855	7,468	7,152

7. NOTES TO THE STATEMENT OF CASHFLOWS

Reconciliation of operating profit to net cash flows from operating activities

	(Unaudited) *29 June* *2003* *£000*	*(Unaudited)* *30 June* *2002* *£000*	*29 December* *2002* *£000*
Operating profit	2,967	1,877	4,504
Depreciation Charge	577	555	1,127
Amortisation Charge	117	85	228
Other operating expenditure/income	(283)	(4)	75
(Increase) in debtors	(307)	(1,304)	(1,047)
(Increase)/Decrease in stocks	(320)	48	(151)
Increase in creditors	310	354	392
	3,061	1,611	5,128

8. PUBLICATION OF NON-STATUTORY ACCOUNTS

The financial information contained in this statement does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The financial information for the full preceding year is based on the statutory accounts for the fifty- two weeks ended 29 December 2002. Those accounts, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies.

9. This report is being sent to all registered shareholders. Copies can also be obtained from the Registered Office at Domino's House, Lasborough Road, Kingston, Milton Keynes MK10 OAB.

INDEPENDENT REVIEW REPORT

INTRODUCTION

We have been instructed by the company to review the financial information set out on pages 6 to 12 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

DIRECTORS' RESPONSIBILITIES

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

REVIEW WORK PERFORMED

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

REVIEW CONCLUSION

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the twenty-six weeks ended 29 June 2003.

Ernst & Young LLP
Luton